COMPENSATION AND DIC COLA, H.R. 1335; DIC ELIGIBILITY CRITERIA, H.R. 1336; AND PENSION FOR HOSPITALIZED VETERANS, H.R. 1334

HEARING

BEFORE THE

SUBCOMMITTEE ON
COMPENSATION, PENSION AND INSURANCE

OF THE

COMMITTEE ON VETERANS AFFAIRS
HOUSE OF REPRESENTATIVES

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COMPENSATION AND DIC COLA, H.R. 1335; DIC ELIGIBILITY CRITERIA, H.R. 1336; AND PENSION FOR HOSPITALIZED VETERANS, H.R. 1334

Wednesday, April 5, 1989

U.S. House of Representatives,
Subcommittee on Compensation,
Pension and Insurance,
Committee on Veterans Affairs,
Washington, D.C.

The subcommittee met at 9:02 a.m. in room 340, Cannon House Office Building; Hon. Douglas Applegate, chairman, presiding.

Present: Representatives Applegate, Sangmeister, Evans, Penny, Jones, and McEwen.

OPENING STATEMENT OF CHAIRMAN APPLEGATE

Mr. Applegate. Good morning. Everybody looks bright-eyed and bushy-tailed this morning. It is good to see you all here, and we certainly welcome you to the first meeting of the Subcommittee on Compensation, Pension and Insurance.

First, let me welcome the new members of the subcommittee, one of whom has shown up, George Sangmeister of Illinois. George, I welcome you to the committee. Other members are Mike Parker of Mississippi and Ben Jones from Georgia. Also, we will be having Lane Evans, Tim Penny, Chalmers Wylie, Mike Bilirakis and, of course, my good friend, the subcommittee's Ranking Minority Member, the vice chairman of the committee, Bob McEwen. I certainly look forward to working with all of them and I look forward to working with all of you during this season.

We have three bills on the agenda this morning, H.R. 1334, 1335, and 1336. Of these, H.R. 1335 has, by far, the greatest potential impact on disabled veterans and their survivors because it provides for a 4.9 percent cost-of-living adjustment in rates of service-connected disability compensation, and dependency and indemnity compensation. That would become effective December 1 of 1989.

This percentage increase is consistent with the CBO baseline estimate of the anticipated change in the Consumer Price Index from the third quarter of 1988 to the third quarter of 1989. It is reflective of the full committee's February 27, 1989, recommendation to the Budget Committee. Of course, the subcommittee and the full committee will take whatever action is necessary to enact legislation that reflects, at a minimum, the final change in the CPI.

Next, H.R. 1336 would make a minor change to the duration-of-marriage requirement applicable to surviving spouses of certain veterans rated totally disabled due to service-connected conditions for at least 10 years prior to death. These survivors are eligible for death benefits paid as if the death were service-connected and at the same rates as normal DIC. However, unlike normal DIC, current law requires, in the absence of the birth of a child, that the marriage had to have existed for at least 2 years prior to the veteran's death.

Last year, the House passed legislation that would have liberalized this provision by conforming the marriage eligibility requirements to those of normal DIC, which provide generally that the marriage must have existed for 1 year. However, the provision was not accepted by the other body. I intend to pursue this again in hope that the other body will give it favorable consideration this session.

Lastly, H.R. 1334 would remove a current provision in the law which requires that payments of pension benefits to single veterans with no dependents who are hospitalized in excess of 3 months be reduced to an amount not exceeding $60 per-month while the veteran is so hospitalized. Clearly, the purpose of this measure is to provide relief to those needy veterans who, although temporarily hospitalized, continue to have financial obligations such as the rent of their home. Secondarily, this would relieve the Department from the burden of having to keep track of these cases, from having to establish and recoup overpayments, and from having to process retroactive increases, which we know can sometimes be delayed. I understand that similar legislation is under consideration in the Senate and we are looking forward to that.

They are not earth-shaking pieces of legislation perhaps in the minds of some, but certainly very important to others who are directly affected.

At this time, I would like to recognize my good friend and vice chairman of the committee, my colleague from the great State of Ohio, Mr. Bob McEwen

OPENING STATEMENT OF HON. BOB MCEWEN

Mr. McEwen. Thank you, Mr. Chairman.

Chairman Applegate and distinguished guests, the business of this subcommittee is to search continually for opportunities to ensure equity in the various programs under our watch. Our areas of responsibility are great, touching on many of the most important factors affecting the overall quality of life of America's veteran population and its dependents.

I feel there is no group of Americans more worthy and deserving of this close attention from the Congress of the United States. My colleagues and I recognize and accept our responsibility and understand that along with that responsibility comes the satisfaction and challenge of working to shape legislation which is fair and just to all America's veterans.

I think today's roster of honored witnesses fairly indicates the importance of the legislation that we are to discuss today. I want each of our witnesses to understand fully the significance and the gravity we on the committee assign to the occasion of their appearances.

As you all know, we have an important agenda this morning. I would attach high priority status to any discussion based on adequate payment of compensation to service-connected disabled veterans and to survivors. Indeed, this must be the central focus of any policy which so profoundly affects our veterans and their survivors and dependents.

With that precondition well established and with the stated goal of achieving and maintaining the fairest possible veterans' compensation system, I strongly endorse the cost-of-living increase proposed in H.R. 1335. This is what the veterans affected will need, and that is what the nation could and should provide.

Mr. Chairman, I look forward to hearing the testimony of the esteemed panel on H.R. 1334, 1335, and 1336 and all of the issues on the schedule this morning. Once again, as we begin the 101st Congress, it is a joy to work together with you and the Subcommittee on Compensation, Pension and Insurance and I wish you success as chairman.

Thank you.

Mr. APPLEGATE. Thank you very much, Mr. McEwen.

Mr. Sangmeister, is there anything you would like to add as a freshman Member and a new member to our subcommittee?

Mr. SANGMEISTER. Thank you, Mr. Chairman. I'll say a few words.

This is the subcommittee of my choice and I was very happy to be able to be on it, to be with this distinguished chairman and the minority ranking member, and am looking forward to the issues that will be coming before this committee and also am prepared, of course, now to proceed with the witnesses that we need on this legislation.

Thank you.

Mr. APPLEGATE. Thank you very much.

Well, our first witness will be the Veterans Administration, represented by the Chief Benefits Director. That is our old friend, Mr. John Vogel.

Excuse me, John. Not an old friend, a long-time friend. How about that?

I would just mention to you, John, if you would, and to all others who are here—however, the testimony may be a little more extended with yourself—but I would ask that everybody adhere to the 5-minute rule. The printed statements will be entered into the record, without any objection. And I think we can expedite our hearing quickly.

STATEMENT OF R.J. VOGEL, CHIEF BENEFITS DIRECTOR, DEPARTMENT OF VETERANS AFFAIRS; ACCOMPANIED BY GRADY HORTON, DEPUTY CHIEF BENEFITS DIRECTOR FOR PROGRAM MANAGEMENT; GARY HICKMAN, DIRECTOR OF COMPENSATION AND PENSION SERVICE; AND JACK THOMPSON, ASSISTANT GENERAL COUNSEL

Mr. Vogel. Thank you, Mr. Chairman. However I am referred to, as a long-time friend or as an old friend, as long as the word "friend" is used, I am happy to hear that.

Mr. Chairman, with me today is Grady Horton to my right, the Deputy Chief Benefits Director for Program Management. To my left is Gary Hickman, the Director of Compensation and Pension Service, and, to my far right, Jack Thompson, Assistant General Counsel of the Veterans Administration.

I have a summary statement I would like to read and ask that my entire statement be entered into the record.I21I will now proceed with a discussion of H.R. 1334. The law currently provides that the pension for veterans without dependents will be reduced to $60 after 3 calendar months of hospitalization at VA expense. The same reduction takes place after 2 calendar months of domiciliary care and 3 months of nursing home care. H.R. 1334 would eliminate the reduction based on hospitalization.

Reduction of pensions of hospitalized veterans without dependents has been a feature of the pension program throughout its history. The rationale has always been that the veteran is receiving all essential care from VA and thus should not receive full pension which is based on these same needs.

The reduced pension payable was intended to provide for personal needs in the hospital setting. The reduction while hospitalized has been criticized because the veteran may well have continuing obligations such as rent or installment purchase payments which cannot be met from the reduced pension.

We are aware that there may have been instances in which the pension reduction while hospitalized has caused severe hardships for veterans. However, we believe that to simply eliminate the provision of reduction for hospitalized veterans will serve to increase the estates of veterans, which may then pass on to remote heirs. We would be pleased to work with your staff on this issue.

H.R. 1335 would provide a 4.9 percent increase in the rates of compensation and of dependency and indemnity compensation. We have consistently supported periodic cost- of-living increases to protect the purchasing power of compensation. We continue to recommend that the best way to ensure that COLAs match changes in the cost of living is to index them to the Consumer Price Index, as provided in H.R. 1397. Indexing would also remedy certain administrative difficulties that occur when enabling legislation has been enacted late in the year. It would assure that the cost-of-living increases are not unduly delayed.

H.R. 1336 would decrease the length-of-marriage requirement for payment of benefits at the DIC rates in case of certain nonservice-connected deaths from 2 years to 1 year. The 1-year requirement would be consistent with other death benefit programs. We cannot support this bill because the law is already quite liberal. It pays service-connected death benefit rates to the survivors of veterans who were totally disabled 5 to 10 years prior to death, but whose deaths were not found to be service-connected. It is not unreasonable that there be a higher standard of eligibility under these circumstances.

Mr. Chairman, that concludes my statement. I would be pleased to respond to any questions that you or members of the subcommittee may have.

Mr. APPLEGATE. Thank you, John. That was very fast. Thank you very much for your statement. We do have your prepared statement which will be inserted in the record.

[The prepared statement of Mr. Vogel appears on p. 31.]

Mr. APPLEGATE. I have a couple of questions I wanted to ask: You referred to why the pension recipient shouldn't be receiving more money, and primarily because you say that they are receiving medical benefits and other benefits while they are in the hospital.

Yet, at the same time, what is the difference with those receiving disability compensation, only in terms of need, not what they have done to earn it? In fact, I think that they are increased to total and permanent status in income while they are hospitalized for any length of time.

Mr. VOGEL. Any compensation recipient who is rated at less than total evaluation can, upon hospitalization for a service-connected disability, get a temporary increase to the total evaluation 100-percent rate while hospitalized. You are correct, sir.

Mr. APPLEGATE. I'm not sure that I heard all of that or fully understood all that you said. It was sort of a short answer.

Mr. VOGEL. In the case of a veteran who is hospitalized at a Veterans Administration facility and the hospitalization is for a service-connected condition, he or she is elevated to a total evaluation while hospitalized, and is then reduced upon the first of the month after discharge.

The intention there, of course, is to provide for the continued family support or to meet his or her other obligations, whether they have familial obligations or not, while they are hospitalized and are unable to be employed.

Mr. APPLEGATE. I understand that. But the pension recipient, what is the difference as an individual, who in the first place wouldn't be receiving in most cases as much as the compensation recipient? If they're in for a certain amount of time, then they are cut back.

Mr. HORTON. I think what you are trying to get at there, Mr. Chairman, is the distinction between the way we treat service-connected and the way we treat nonservice-connected people. And the distinction is on the need there; that the pension is a need-based program, while the compensation is a program to which the veteran has entitlement, has entitlement rights so to speak.

Mr. APPLEGATE. Well, I understand that and I appreciate your explanation.

Mr. HORTON. That is really the only distinction I can make.

Mr. APPLEGATE. I was just thinking about the need that they have, since in the first place they receive it based on need and on indigency and disability, and so when they are in the hospital, a lot of them have those same obligations that the other veterans have.

And in order to meet those responsibilities, they need an amount of money to be able to do so, and on $60 a month they just can't do it. That's our argument.

Mr. VOGEL. Mr. Chairman, a point that might be raised, at a point in time the Veterans Administration and indeed the entire medical community provided for rather lengthy hospitalizations for treatments of a number of conditions, especially psychiatric conditions. And the notion that reduction during a long period of hospitalization, when they are being cared for by the Veterans Administration, made a pretty good amount of sense.

Today, we see a lot shorter periods of hospitalization where conditions, especially psychiatric conditions, are able to be taken care of for many through the use of drug therapy as opposed to the long-term hospitalization. So there has been a change in the length of stay and other things for a lot of our pension recipients, which casts some light at least on the historical basis of that reduction.

Mr. APPLEGATE. Let me ask you this: The COLA that was recommended by the administration was 3.6 percent. Do you have a later estimate since that time which would change it?

Mr. VOGEL. No, I don't, Mr. Chairman. That's the latest estimate that we received from the administration.

Mr. APPLEGATE. You mention in your statement, too, that a 1-year length-of-marriage requirement for DIC, in cases of nonservice-connected death, would be consistent with other types of benefits. Wouldn't a more uniform treatment of the survivors be desirable for both equity and ease of administration?

Mr. VOGEL. Mr. Chairman, I will ask Mr. Hickman to answer that.

Mr. HICKMAN. Mr. Chairman, you are correct and it would be, as far as equity, standard. However, the death for the veterans in these particular cases is nonservice-connected and we believe that distinction should be made in this regard; that if it's nonservice-connected death, and they will be receiving a service-connected death benefit, then this higher standard should be maintained.

Mr. APPLEGATE. I guess then the question would be— wouldn't it be better to maybe give them less benefits than making it more difficult——

Mr. HICKMAN. I think the Congress in its wisdom when they enacted this law several years ago, provided that if someone was on the rolls at a 100-percent rate for a number of years, 5 or 10 years, depending on the particular situation, that this family has grown accustomed to the level of benefit, and the payment of DIC to this particular widow would be beneficial. And we support that as it now stands in the law.

Mr. APPLEGATE. Okay. Well, I guess we have some differences on that, too.

Mr. Vogel, what types of disabilities do you find to be prevalent in hospitalizations that last more than 90 days?

Mr. VOGEL. Mr. Chairman, probably the most prevalent single one is hospitalization for mental illness, psychiatric disorders, although it is safe to say that with an aged person frequently being a pension recipient, those medical conditions that are attendant or at least often found with advanced age are also problems such as stroke, Alzheimer's Disease and conditions such as that.

Mr. **Applegate**. Well, how many of those would be considered as incompetent?

Mr. **Vogel**. I would have to provide an answer for the record on that, Mr. Chairman. I don't have that number in my mind.

(Subsequently, the Department of Veterans Affairs provided the following information:)

The Department of Veterans Affairs does not maintain data regarding the number of pensioners who are incompetent.

Mr. **Hickman**. Many of these individuals, of course, would not be hospitalized for that length. They would probably be transferred to nursing homes eventually.

Mr. **Applegate**. Good point. Okay. Well, thank you very much. I appreciate that.

Mr. McEwen.

Mr. **McEwen**. Thank you, Mr. Chairman. Mr. Vogel and company, thank you for being here.

We have three bills up today and you get to oppose all three of them, so I appreciate your coming and doing that.

You mentioned cost. You said something about 25 percent of the estimated veterans in VA facilities, out of the total 4,059 veterans whose pensions are currently to be reduced, would be impacted.

How did you do all of that? How did you estimate this cost?

Mr. **Vogel**. Let me have Mr. Hickman respond to that, Mr. McEwen.

Mr. **Hickman**. Basically, we looked at our master record at a point in time to determine how many people were receiving reduced pension based on being hospitalized, in a nursing home, or in a domiciliary. And we made an educated guess that 25 percent would be affected by this piece of legislation.

I cannot give you a better answer than that.

Mr. **McEwen**. Thursday afternoon was a good day for 25 percent?

Mr. **Hickman**. Yes, sir.

Mr. **McEwen**. Well, okay. So we could affect the cost pretty much by our estimate.

You understand what the goal is. How would you suggest that, on the one hand, we prevent DVA maintenance of residences for permanently hospitalized veterans, but not force certain veterans into borrowing extensively or selling personal possessions to meet their fixed financial obligations? Is there anyone in your shop that could think about that a little while? Is it outside the realm of possibility that we are only talking about 5 percent instead of 25?

Mr. **Hickman**. We certainly could look into it in more depth. We certainly know that there is a 3-month period already, so we're only talking about those individuals who would be hospitalized for more than 3 months. So we certainly could look at it in more depth and come up with more empirical data for you.

(Subsequently, the Department of Veterans Affairs furnished the following information:)

We had information from our master record regarding the number of veterans who, on a given date, were receiving reduced pension because they were single and had been in a domiciliary for 2 months or in a hospital or nursing home for 3 months. Our master records do not differentiate between reductions based on hospitalization and reductions based on domiciliary or nursing home care. Therefore, it was an assumption that 25 percent of the reductions were based on hospitalizations.

Although representing only a small subsection of the total reductions based on institutionalization, we do have more detailed information regarding reductions made at the Atlanta regional office only. Because that office has computerized data exchange with the medical facilities in the area, they were able to tell us that of the 15 reductions made in 1 month, 6 (40 percent) were based on hospitalization. The medical facilities involved may or may not represent the nationwide mix but they do include a domiciliary, a nursing home unit, and two hospitals with psychiatric wards.

There was only one other source we could find to estimate the percentage of reductions based on hospitalization. That source was the Annual Report which showed that 22.6 percent of hospitalized veterans remain for 100 days or more, a medically significant statistic which corresponds closely to the current 3-month reduction requirement for pension. We believe that this statistic based on all types of hospital admissions would tend to understate long-term hospitalizations among pensioners. Pension recipients tend to be older and sicker than the average patient.

Based on the above statistics, which admittedly are not strictly comparable or representative, we believe that the original estimate of 25 percent hospitalizations does not overstate the size of the population which would be affected by H.R. 1334.

Mr. McEWEN. We have a significant amount of information on these people, obviously, because they are not wealthy.

Mr. HICKMAN. No. In our needs-based program they are not wealthy.

Mr. McEWEN. So we could then establish some sort of criterion as to who would qualify for this particular benefit, could we not, if we had the spirit and mind to do it?

Mr. HICKMAN. I think, as Mr. Vogel mentioned earlier, we would be happy to work with staff on this issue.

Mr. McEWEN. Fine.

I had another question that escapes me now. Oh yes, on the cutoff and kick-in of the marriage requirement, could we not phase that in a bit as well over a period of time? So that if you marry and die the next month, you don't get much?

Mr. VOGEL. Administratively, I am thinking about how that could be handled. I think it is something we could look at. I am not sure how we would administer that on an equitable basis.

Mr. McEWEN. Well, what if we put a little form in there asking, "Have you been married more than 2 years; yes or no? If no, how many months have you been married?"

Mr. VOGEL. If they're married to a veteran for a period of 2 years or more, or if a child is born in any case, then the death benefit can be paid. Anything less than 2 years, there must be a child born of the marriage.

Mr. McEWEN. We just don't want any death bed marriage for the sale purpose of collecting the death benefit.

Mr. VOGEL. That is generally the idea.

Mr. HORTON. The equities of the situation I think are fairly clear. If my understanding is correct, the Senate had a 1-year provision and you folks had a 5-year provision, and this was compromised.

Mr. McEWEN. Do you think that's good enough for the time being? Okay, thank you.

Mr. APPLEGATE. Thank you very much, Mr. McEwen.

Mr. Sangmeister.

Mr. SANGMEISTER. Thank you, Mr. Chairman.

My only concern is on H.R. 1336. As I understand the explanation, the only reason we're changing it from 2 years down to 1 year is to put it in conformity with other plans. Is that the whole idea for the reduction?

Mr. **Hickman**. This is not an administration bill. This is a bill from the committee, and we were commenting on that.

Mr. **Sangmeister**. I see. It seems to me that we ought to be stiffening the requirements and not lessening them for somebody to qualify for something like this, particularly when it comes to what we were addressing, the death-bed marriages. I will discuss it with the chairman if that is his bill that he wants to push.

You are just agreeing with the chairman's bill; is that correct? You are not pushing this piece of legislation?

Mr. **Vogel**. Our position is we don't believe, in the case of a non-service-connected death, it is unreasonable for a surviving spouse to be married to a veteran longer than the case in which the DIC is payable as a result of a service-connected death. We think that 2 years is an appropriate period of time.

Mr. **Sangmeister**. So your position is you want to stay with the 2 years.

Mr. **Vogel**. Yes, sir.

Mr. **Sangmeister**. Okay. I've got your position.

Mr. **Applegate**. Mr. Penny.

Mr. **Penny**. I have no questions.

Mr. **Applegate**. With us is one of our new freshman Members, Mr. Ben Jones of Georgia. Welcome to the committee, Ben.

Mr. **Jones**. Thank you, Mr. Chairman. Thank you for the work that you do on behalf on the subcommittee and on behalf of veterans. We've got 76,000 veterans in the 4th district of Georgia, and I think I've heard from most of them on these matters because there is a lot of concern out there.

This is a fine responsibility that we have here. I don't really have any questions. It may have been asked before I got here, but I do have some confusion about—and perhaps you could enlighten me—as to why you think there are these differences between the estimates regarding the CPI, that difference between the projected increases between the Congressional Budget Office and the administration figures.

Mr. **Vogel**. Mr. Jones, probably the best way to answer that is, you have people who do economic forecasting for the administration and those who do it for the Congress. And the assumptions made by one or the other can lead you to things as far apart as 3.6 or 4.9 percent.

The administration has consistently supported a position that as the cost of living goes up, so should the benefits payable to recipients of compensation and DIC. And whatever that works out to be later in the year, we get a fix on that later on in the year. This is likely the position that this administration would also support.

As we get closer towards the time in which the Congress will in fact make a law that provides an increase in these benefits, that will be shortly before the December 1 effective date as proposed by the chairman's bill and by the bill of the administration. And if it's 3.4 or 3.6 or 4.1, it probably would be fixed at that point in time and would be supported by the administration.

Mr. **Jones**. As someone once said, if you lay all the economists in the world end to end, they will never reach a conclusion.

Mr. VOGEL. I have a few economists on my staff, sir, and they have heard me say that a few times.

Mr. JONES. That is quite a difference, though, and it's a very important difference.

Mr. VOGEL. It is the view of the administration that inflation will not run up as fast perhaps as the Congressional Budget Office thinks it might. That probably is the largest single difference in those two figures. The assumption is as to what the inflationary forces will do to the economy.

Mr. JONES. Thank you. Thank you, Mr. Chairman.

Mr. APPLEGATE. Thank you, Mr. Jones.

So what you are saying then, John, I assume, is that while we may grudgingly adjust to the official inflationary rate at the end of the year and may have to increase, you then will grudgingly increase your approval up to that same figure, whatever it might be, and that there won't be any 1 or 2 percent below inflationary rate.

Mr. VOGEL. We wouldn't begrudge an increase if these veterans and their survivors have run up some costs and the adjustment in their VA benefits makes up for that. We think that is entirely appropriate. They shouldn't be subjected to erosion of their earning power. A loaf of bread costs them the same as it does for everybody else, and we think they ought to have the resources to provide for the maintenance.

Mr. APPLEGATE. I think the rate so far for the first 3 months is well above last year's, if I'm not mistaken. I don't have the figures at my fingertips. It may well run that high. I hope that the inflationary rate is down. Certainly it doesn't help the economy for it to go up, but indications are that it will rise.

Mr. VOGEL. Yes, sir. We have a bill that would provide for the indexing of compensation and DIC to the Consumer Price Index so that it would become automatic and would then not require the action of this body to do it, such as we have with the pension program. The pension program is automatically indexed to the CPI and is adjusted accordingly for all 1,200,000 or so beneficiaries in the pension program.

Mr. APPLEGATE. I am not sure you would have much support from probably the members of the committee and the various veterans' organizations. We sometimes do a little bit better than the inflationary rate. We try to take a lot of other things into consideration.

I thank you very much for your testimony, John.

Does anybody else have anything else they would like to add?

Mr. McEwen?

Mr. McEWEN. Does he think Members of Congress ought to get a cost-of-living raise?

Mr. APPLEGATE. Did you get that question?

Mr. VOGEL. I did. I wonder whether the recorder did.

Mr. APPLEGATE. Well, the question is all right. We're interested in the answer. Well, that's okay.

Thank you very much, John, for appearing before the committee. That's all that we have at this time. And it may be, as usually is the case, that we will submit some questions to you.

Now we have Panel 1 which consists of Richard Johnson, director of legislative affairs of the Non Commissioned Officers Association; Sydney Hickey, director of government relations, National Military Family Association; Geraldine Chittick, legislative chairman, Gold Star Wives of America; and Jim Magill, national legislative director of Veterans of Foreign Wars.

I appreciate you all being here. You have certainly been in front of the committee on many other occasions and it's nice to welcome you here again. I think that we probably should look at the ladies to begin their testimony. Do you ladies want to flip a coin?

STATEMENT OF GERALDINE B. CHITTICK, LEGISLATIVE CHAIRMAN, GOLD STAR WIVES OF AMERICA, INC.

Mrs. CHITTICK. Mr. Applegate, thank you for the invitation to testify. I am Geraldine Chittick, national legislative chairman of Gold Star Wives of America, and I am pleased to present the position and recommendation of our organization.

Gold Star Wives of America came into existence in 1945 when World War II was leaving thousands of widows and fatherless children in its wake. Our membership is comprised of women whose husbands died while a member of the Armed Services, or who died subsequent to such service as a result of injury or disability incurred during active service.

As the inflationary trend in the economy continues, a cost-of-living adjustment in DIC becomes increasingly important. We appreciate the regular increases which have been forthcoming; however, from the mail I receive, it is a near traumatic experience to find that housing, food, and medical costs each increase in amounts equating to the latest COLA for many recipients in the lower ranking categories.

The proposed 4.9 percent cost-of-living adjustment contained in H.R. 1335 would be necessary and welcomed by all recipients, but most especially those in the lower ranks. However, the projected figures would bring the differential between lowest and highest amounts to a staggering $883 per month. The difference is more than the rate paid in 17 of the 23 ranks and it behooves us to press for adjustments to improve the compensation in the lower categories.

We are fully cognizant of the budget deficiencies which have been with us now for several years, but as year after year goes by without revision, the problem increases. Because compensation is the priority concern of those in Gold Star Wives, it has been a subject discussed on the Assembly floor at many national conventions. During preparation of a statement to present to the Veterans Advisory Commission in 1967, it became obvious that a compromise could be reached only if some recognition of rank and length of service were to be included. Following Commission hearings, the Veterans Affairs Committees and the Congress adopted the current formula in 1969.

The Veterans Administration was requested to conduct an evaluation of the DIC program in the mid-1970's, and it was at that time that Gold Star Wives was invited to submit a recommendation. Using information gleaned from a 1975 questionnaire mailed to all members, we arrived at the recommendation at our 1977 national convention which our organization still deems to be a fair and just one. It was reaffirmed in 1983 in anticipation of the upcoming oversight hearing on DIC.

The recommendation of Gold Star Wives of America is that a flat base rate be readopted, providing all widows equal base pay plus a set rate based on rank and length of service, with the cost-of-living adjustments being applied to only the equal base rate. In this manner, the gap would not continue to become greater and greater as it does under the present system.

In the 1978 Report of the Veterans Administration's Study, the original DIC program had been deemed costly and complicated to administer. We would point out that during that time, the add-on was based on current military pay rates, which were changing every 6 months or even more often. Under the Gold Star Wives recommendation, once computed, the add-on amount for rank and length of service would not change. Gold Star Wives is a complete representation of the recipients of DIC and we are proud to point out that among its members there is no distinction between rank, race, creed, or eligibility for membership.

We request that this committee take steps to investigate the feasibility of a DIC formula based on the recommendation of Gold Star Wives by introducing legislation for consideration.

In regard to H.R. 1336, we do not concur that a spouse should be a recipient of DIC after as little as 1 year of marriage to a service-disabled veteran. We do have a concern. We believe the passage of legislation to permit remarriage without loss of DIC is long overdue for consideration.

Thank you for the opportunity to participate in this hearing.

[The prepared statement of Mrs. Chittick appears on p. 38.]

Mr. APPLEGATE. Ms. Hickey.

STATEMENT OF MS. SYDNEY T. HICKEY, DIRECTOR OF GOVERNMENT RELATIONS, NATIONAL MILITARY FAMILY ASSOCIATION

Ms. HICKEY. Thank you, Mr. Chairman.

The National Military Family Association appreciates this opportunity to express its views. Military wives earn less than their civilian peers and have an unemployment rate three times greater. Military wives are also underemployed.

According to the 1985 Department of Defense Survey, 46 percent of enlisted wives and 35 percent of officers' wives are employed below their skill level. Military spouses find it nearly impossible to advance in their own careers because of frequent and unpredictable relocation associated with the military life style. In addition, frequent moves usually preclude spouses from earning any pension benefits in their own rights.

NMFA fully supports a 4.9 percent cost-of-living increase for DIC widows. Adequate cost-of-living increases in DIC are an absolute necessity if survivors are to retain their financial viability.

NMFA also fully supports H.R. 1336, which would reduce to 1 year the period of time that surviving spouses must have been married to a veteran to be eligible for DIC.

NMFA also supports allowing DIC spouses to remarry at age 55 and retain their benefits. This initiative would bring the entitlement into conformity with other Federal survivor programs.

NMFA remains concerned, however, about the lack of accurate up-to-date information given to service families regarding survivors' rights and benefits. The immediate assistance offered to an active duty widow is often very comprehensive. However, the pamphlets and booklets provided to her are neither up to date nor comprehensive. The explanation of Federal Civil Service employment preference is so varied from pamphlet to pamphlet, one would think you were talking about different benefits. The pamphlets provided by some of the services do not mention what the widow's rights and benefits would be if she remarried and that marriage subsequently ended. No where is information given about her possible eligibility for CHAMPVA. The information in the Survivor Benefit Plan is either inaccurate or sketchy.

At the time of her husband's death, a young widow with a baby and toddler will not be thinking about college education benefits for those children. The written material provided to her must be comprehensive enough to serve as a guide to benefits for her family throughout their lives.

Survivors of retired Navy and Marine Corps personnel do not receive casualty assistance calls. Survivors of retired Army personnel receive casualty assistance calls only if they are requested. These older widows frequently live at substantial distances from military installations. They must rely on the accuracy and comprehensiveness of the information in the materials sent to them.

Documents that survivors must have to claim benefits are listed in each of the pamphlets. Since the pamphlets are provided only to the military spouse at the time of the service member's death, the widow may well not know the location of those documents.

The military spouse needs to know what benefits will be available and what documents will be necessary before the death of the service member. NMFA is aware that the rights and benefits of survivors are granted by both the Department of Defense and the Department of Veterans Affairs. NMFA suggests that comprehensive booklets be prepared by either agency for the use of all of the services. It would be far less costly for the individual services to add a cover letter explaining their specific survivor program than to be responsible for the entire booklet. Savings produced by a single source document could be spent on keeping the information up to date and accurate.

NMFA further requests that this booklet be given to the spouse when the military dependent identification card is issued as well as at the time of the service member's death.

Thank you, Mr. Chairman.

[The prepared statement of Ms. Hickey appears on p. 40.]

Mr. Applegate. Thank you very much, Ms. Hickey.

Mr. Johnson.

STATEMENT OF RICHARD W. JOHNSON, JR. DIRECTOR OF LEGISLATIVE AFFAIRS, NON COMMISSIONED OFFICERS ASSOCIATION

Mr. Johnson. Thank you, Mr. Chairman. Good morning to the committee.

The Non Commissioned Officers Association appreciates the opportunity to be here today. We sit this morning in support of all three bills that are under consideration by the committee. H.R. 1335, which would provide a 4.9 percent cost-of-living increase in service-connected disability compensation and survivor compensation, and I think it is also important that we note that it also affects clothing allowances and certain other allowances that are provided to veterans.

As always, Mr. Chairman, we are grateful for the continuing attention this committee gives to the compensation increase legislation and understands that this amount may be adjusted through the course of the year, as necessary, to reflect the actual increase in the cost of living over the course of the year.

H.R. 1336 would reduce the period of marriage to 1 year from 2 years for certain DIC widows' eligibility. We support this program.

Also, we support H.R. 1334. This is a particularly interesting bill in that it has a tremendous effect on certain disabled veterans who are hospitalized for more than 60 days.

Mr. Chairman, we would like to address two other issues this morning. One is the structure of the DIC program. For years, NCOA has appeared before this committee to argue that there are certain inequities in the program with regard to the treatment of disabled veterans. The DIC program is the only program of the Veterans Administration whose benefits are based on rank, a rank which may or may not have a relationship to the income of the veteran at time of death.

As was pointed out earlier by our colleagues from Gold Star Wives this morning, frequently there are injustices among the treatment of widows in the program, based on the disabilities and length of duration of disability that the veteran has suffered.

We, too, join in asking the committee to re-examine this program, hopefully to provide a flat-rate benefit or something that more adequately addresses the needs of the survivor.

Additionally, this morning we would like to address the issue of H.R. 303, Congressman Bilirakis' bill to provide concurrent receipt of military retired pay and veterans' disability compensation. This issue, of course, is a matter of equity. Only the military retiree under current law is forced to forfeit some portion of income to receive veterans' disability compensation. Such forfeitures are not required of other employees of the Federal Government, elected officials, union workers, even corporate presidents.

It is a tremendous inequity which is costing military retirees some $765 million a year in income. Last year, the bill was cosponsored by some 248 Members of the House. Unfortunately, it was never marked up. We are quite hopeful that as the bill once again approaches majority cosponsorship in the House, that it will receive the committee's attention this year.

That concludes my statement.

[The prepared statement of Mr. Johnson appears on p. 45.]

Mr. APPLEGATE. Thank you very much, Dick.

Jim.

STATEMENT OF JAMES N. MAGILL, DIRECTOR, NATIONAL LEGISLATIVE SERVICE, VETERANS OF FOREIGN WARS

Mr. MAGILL. Thank you, sir, for the opportunity of the Veterans of Foreign Wars to present its views at this hearing. I will be brief inasmuch as you have my statement.

I would like to state that we do support the advancement of all of the bills that are before us this morning. I would like to take just a minute to comment on the Department of Veterans Affairs proposal to index compensation.

We think that this would have an extremely adverse impact on the DVA's compensation program. We think that it would result in reduced congressional review, and we would like to comment that the committee has been very compassionate and fair in the past, and we would not like to see that personal touch, if you will, turned into an automatic process.

I also would like to comment on H.R. 303. We have supported that bill for many years and we would ask that the committee hold hearings on it in the very near future.

Thank you very much. This concludes my statement.

[The prepared statement of Mr. Magill appears on p. 48.]

Mr. APPLEGATE. Thank you very much, Jim. Of course, we did hold hearings on H.R. 303 last year and we came to the conclusion that this is not the total responsibility of the Veterans Affairs Committee, that Defense had to be a part of that because it was about a 90-percent/10-percent ratio, and that most of that would have to come, of course, from Defense.

I think that what's going to have to happen is to get the Armed Forces Committee to set up hearings and get an approval there. If that be the case, I suppose that would place a lot of pressure on the Veterans Affair Committee to move forward.

And, of course, with things being what they are, and while there may be equity in the proposal, we still have to find money. If we took as much out to fund the whole thing out of the veterans' programs, we would have to take it out of some other veterans' programs to fund it. I would think that in the situation of Defense, there would be more money available there which they could switch around than there could be in veterans' affairs.

Have you talked with anyone on Armed Forces?

Mr. MAGILL. Yes, sir. We have been in contact with them and have also asked that they hold hearings on it, too.

Mr. APPLEGATE. What's the response?

Mr. MAGILL. We haven't gotten any firm commitment. Right now we are trying to get as many members of that committee to cosponsor the bill, and we are getting quite a few of them on the bill.

So we agree with you also that this is not a financial commitment that would be solely on the VA. We do believe that the Department of Defense would have a very strong obligation in that bill.

Mr. JOHNSON. At the same time, Mr. Chairman, this committee could take the initiative since it has jurisdiction over the bill——

Mr. APPLEGATE. Partial.

Mr. JOHNSON [continuing]. Partial jurisdiction over the bill, and help convince our folks down on the Defense Committee that they should take a look at it with the sequential referral provision.

As you point out, Mr. Chairman, 90 percent of the costs or more would come out of military retired pay accounts which is the jurisdiction of that committee, but we certainly would appreciate this committee taking a leadership role in moving this issue along.

Mr. APPLEGATE. We will take that under advisement. Thank you. And thank you all very much.

Incidentally, I would agree, Ms. Hickey, that a comprehensive booklet—but I understand there are some booklets out, but you've commented on that. I would think that there ought to be, and maybe the Department of Veterans Affairs and the Department of Defense should look into that.

John, maybe you could contact your counterpart over there and perhaps maybe something could come out of that.

Ms. HICKEY. Mr. Chairman, if I may, I would like to comment. The most comprehensive booklet by far has been done by the Veterans Administration. The problem is it just covers their benefits, and what we want is one that covers both. But they have done, without question, of all the agencies, the best job.

Mr. APPLEGATE. Good. Thank you.

Mr. McEwen.

Mr. MCEWEN. Thank you, Mr. Chairman. That is what I wanted to say as well. I would like to work together with you to see that we get it done. I understand it's been cut back in recent years, and that's the type of thing that may be done without our knowledge if somebody isn't watching.

I appreciate you raising it. I want to work with you to see that it's done. If we have to pass a bill, fine.

I would also say to Mrs. Chittick that you mentioned 1969 as having been the last reconsideration of the DIC formula.

Mrs. CHITTICK. The last revision.

Mr. MCEWEN. If you would be willing, I would like to work with you to see if we can get a bill drafted that's satisfactory to you so we can consider that as well. Thank you.

And I would ask that Congressman Bilirakis' statement be inserted in the record.

Mr. APPLEGATE. Without objection, it shall be.

[The statement of Congressman Bilirakis appears on p. 50.]

Mr. APPLEGATE. Thank you very much for appearing before the committee once again. Thank you.

On our next panel we have Cmdr. John Wanamaker, USN, (Ret.), director of legislative affairs of the Retired Officers Association; Frank Athanason, National Commander, Military Order of the Purple Heart; John Bollinger, associate legislative director of the Paralyzed Veterans of America; and Tom Miller, Director of Governmental and Community Affairs, Blinded Veterans Association.

I welcome you all to the committee. This is old hat to all of you. If you have chosen anybody to start off, you can just go ahead. If not, we'll start with John Bollinger.

STATEMENT OF JOHN BOLLINGER, ASSOCIATE LEGISLATIVE DIRECTOR, PARALYZED VETERANS OF AMERICA

Mr. **Bollinger**. Thank you very much, Mr. Chairman, members of the subcommittee. Thank you very much for this opportunity to testify on the three bills before us today. The Paralyzed Veterans of America is pleased to support all three bills.

Mr. Chairman, last August you introduced legislation in the 100th Congress which addressed a severe inequity in the nonservice-connected pension program, and we are grateful that you have reintroduced this legislation in the form of H.R. 1334, a bill that provides some hope and relief for some of our Nation's most needy veterans. We also want to thank you for including H.R. 1334 in this hearing today. You have given this issue the visibility that we think it deserves, and we sincerely appreciate that.

As you know, title 38 presently requires the Department of Veterans Affairs to reduce pension benefits for a nonservice-connected veteran, without dependents, who has been hospitalized at Government expense in excess of 3 months. By definition, these pension recipients are very close to the poverty line, and now after 3 months of hospitalization they must further endure reduction in monthly pension which limits them to only $60 a month.

Now, 3 months in any hospital isn't a pleasant experience for anyone. 3 months in a hospital at $2 a day for minor luxuries doesn't make things significantly better. But the last thing that a pension recipient needs is for his income to be reduced. Some of these veterans have homes with small mortgages. They live in subsidized housing in some cases. They pay rent for a house or for an apartment. But in all cases they have financial obligations primarily for living quarters and other necessities.

When pensions are reduced to $60 a month, a financially difficult situation becomes one of undue hardship. These financial obligations, small as they may be, do not end by virtue of the fact that the Veterans Administration is providing medical care and room and board on a temporary basis. Rents must be paid, utilities are due, over-the-counter drugs must be purchased, groceries. All these things collectively far exceed the limitation imposed by title 38.

We became involved closely in this issue as a result of several letters from our members who are affected by the reduction. And as we looked closer at the problem, it became apparent that the pension program was not being served by a statute in title 38 that actually magnified the financial problems of a category of veterans who represent the most vulnerable and the most needy of the entire veteran population.

So several months ago, we initiated a survey to further define the severity of the pension reduction problem and to better understand the complications that arise out of these reductions. Our service officers reviewed about 150 cases, many of which have been shared by committee staff. I would like to read, and share with you, just a few of these cases if I may.

From Illinois: Our service officer there reported that a veteran was reduced from $861 a month (that included aid and attendance) to $60 a month for 2 months. He had to borrow from his family and from his friends in order to keep his apartment.

From Florida: A veteran was receiving $517 a month. He had no other income. When his VA pension was reduced to $60 a month, he could no longer pay the $280 rent on his apartment. After several inquiries from his landlord, the veteran borrowed enough money to keep his apartment, but he will be unable to pay his debt.

From Michigan: A veteran was in the VA medical center for a total of 5 months, pension reduced from $456 to $60 after the third month. As a result, he was unable to pay his rent and utilities.

Another from Florida: As a result of the pension reduction, the veteran's mortgage payments lapsed. The veteran's doctor at the VA medical center used his personal funds to repay the mortgage company, thus preventing foreclosure proceedings. The veteran would have lost his home had it not been for this intervention.

Sometimes these stories produce a case of supreme generosity within the veteran's community. But for the most part, the remaining 3,500 to 4,000 pension recipients aren't quite so fortunate. From every State and district their stories can be told, simply because the Department of Veterans Affairs is quite properly carrying out the provisions of section 3203 in title 38.

We are encouraged that the Senate has also recognized this problem and has introduced legislation. But once again, Mr. Chairman and the cosponsors, we are very grateful for the introduction of this bill. We sincerely appreciate the time and effort put forth by committee staff to make this initiative a reality.

That concludes my testimony, sir. Thank you.

[The prepared statement of Mr. Bollinger appears on p. 52.]

Mr. APPLEGATE. Thank you very much, John.

Commander?

STATEMENT OF CMDR. JOHN F. WANAMAKER, USN, (RET.), DEPUTY DIRECTOR OF LEGISLATIVE AFFAIRS, THE RETIRED OFFICERS ASSOCIATION

Commander WANAMAKER. Thank you, Mr. Chairman, members of the committee. My purpose today is to support the passage of H.R. 1335 which would affect a 4.9-percent adjustment increase to the annuities provided by the Department of Veterans Affairs for disability compensation. H.R. 1335 would also authorize increases to the Dependency and Indemnity Compensation annuities provided to survivors of veterans who died of service-connected disabilities.

From the most recent indications, there exists a tightness in the labor market—unemployment rates are down—which would normally result in an increase in wages and also, since there is a close parallel between wages and consumer prices, it would appear that the 4.9-percent increase, as proposed in H.R. 1335, is more accurate than the 3.6-percent increase which had been recommended in the administration's budget request.

I wish to bring to the committee members' attention that no matter what the percentage increase you finally agree upon, should the cost-of-living plans as proposed by the administration's budget be approved, thousands of disabled veterans will fail to receive an increase in their net income this year because of the offset requirements of section 3104(a)(1) of title 38.

Our Association strongly urges this committee to act favorably on H.R. 303. The compensation of thousands of disabled veterans is affected by the outcome. Maybe this committee can arrange a joint session with the Armed Services Committee to expedite this important issue.

Mr. Chairman, there are three issues related to the Dependency and Indemnity Compensation that require corrective legislation which are not addressed in H.R. 1335. The Servicemans Group Life Insurance is intended to complement the indemnity aspects of the DIC program. Under the SGLI program a service member is permitted to purchase a maximum $50,000 of low-cost term life insurance. In short, that $50,000 maximum coverage is totally inadequate to meet the insurance needs of many service members who sacrificed higher civilian incomes to serve in the military. Medical professionals, nuclear engineers and aviators are but a few examples where the insurance inadequacies are readily apparent. Each of these cited fields are currently experiencing recruiting and retention shortages because the services cannot compete with the private sector. Raising that $50,000 limit to at least $100,000 would not in itself solve these personnel problems. However, it would alleviate some of the anxiety service members have in providing for their survivors in the event of their death.

THE COMPENSATION CONCEPT OF DIC

DIC was established to replace the lost earnings of a family due to a service member's death. The current program is structured in a manner whereby different annuities are paid to survivors based on the member's rank at time of death. The DIC compensation for lost wages varies between 43 percent for a junior enlisted man, an E–1, and 21 percent for a senior enlisted man, an E–9.

A similar disparity exists in the officer categories where the DIC compensation for lost wages of a junior officer O–1 is approximately 33 percent, and for a senior officer that replacement is only 15 percent. These percentages are based on replacement of basic military compensation.

My point, Mr. Chairman, is that 15 to 21 percent is totally inadequate compensation for lost wages in these instances.

DIC TERMINATION UPON REMARRIAGE

The third issue relates to that termination in DIC benefits for widows upon remarriage at any age. Most other Federal survivor benefit programs authorize the retention of those benefits, should the widow remarry after age 55. This committee has before it for consideration H.R. 93, which would authorize the beneficiary to retain DIC benefits should they remarry after that age. Our members respectfully request that the committee consider favorably H.R. 93 and incorporate those provisions in the V.A. compensation authorization bill.

The committee has also before it H.R. 1336, which would change the period of marriage from 2 years to 1 year to establish eligibility for DIC compensation, and our members would urge favorable consideration of that measure.

Mr. Chairman, we have been further requested to provide comments on H.R. 1334, a measure to remove the limitations on the payment of pensions to veterans who are hospitalized in VA facilities, and our Association strongly supports that measure.

Thank you, Mr. Chairman. I will attempt to answer any questions which you may have.

[The prepared statement of Commander Wanamaker appears on p. 56.]

STATEMENT OF ROBERT L. ALVAREZ, NATIONAL SERVICE DIRECTOR, MILITARY ORDER OF THE PURPLE HEART

Mr. **ALVAREZ**. Mr. Chairman, I am the mystery guest. I'm Mr. Alvarez, the national service director of the Purple Heart, standing in for our Commander.

Mr. **APPLEGATE**. Sorry about that.

Mr. **ALVAREZ**. That's all right, sir.

Mr. **APPLEGATE**. But welcome to the committee. It's good to have you here.

Mr. **ALVAREZ**. Thank you, Mr. Chairman.

Mr. Chairman, our Commander has submitted a written statement and I do not want to reiterate what he has already said. I would like to bring out a few points on the different bills this morning.

On H.R. 1334, the removal of the reduction of pension benefits, the Military Order of the Purple Heart supports this very strongly with the other organizations, mainly because there's a catch-22 system in this pension reduction. Most veterans that are hospitalized do not spend a full 3 months in the VA hospital, but the way the system is set up, that automatic reduction is put into their pension benefits by the computer, and their benefits are reduced automatically after 3 months. The veteran has no way of telling this until his fourth check is reduced to $60 and then he finds out there's something wrong and he can't pay his rent.

So the processing time within the system adds a hardship to those veterans that aren't hospitalized for the full 3 months.

There is also a precedence with not having the reduction. I cite an old case in the old law. A veteran could be reduced, after a certain period of hospitalization his money was held up. But after his release from the hospital, then his full pension that was withheld from him was restored to him. So there was less suffering under that old pension law.

But under the last two pension laws, that benefit was taken away and it was a straight reduction with no return. We can find no qualms with the proposed COLA increase. We think it's much more realistic with the times. And on the DIC, we have no qualms about that, although we do support readjusting the DIC payments into one payment for all widows. The old philosophy that a general's wife would be used to a better life is probably passe now because I don't think you'll find very many generals' wives drawing DIC over her survivor's benefits.

In my time in the Veterans Administration, I've processed one general wife's claim, and he died back in the early 1940's. So you might take that as good reasoning that we should look at the different pay grades drawing the DIC. And there are many inequities.

I retired as an officer, but my wife, if she draws DIC benefits, would be better off drawing them under my highest enlisted rank. So there has to be an inequity there, so why not eliminate all these inequities and have one flat rate? I do not think it would cost any more if we took a good hard look at it.

In the 1-year marriage, the VA objects to the 1 year. But the Military Order of the Purple Heart thinks that it's only fair that a wife or a widow that's been married to a veteran for 1 year and he dies of a service-connected condition, be granted DIC benefits; because the VA pays out DIC benefits to a widow who has been separated from her husband for 2 or 3 years. All she has to do is prove that the veteran is mistreated, or all she has to do is make a statement and she's going to get her DIC benefits. And here she's been separated from him two, three, sometimes even more years, and a lot of times because of his disability. So there is no fairness in denying a widow that's only been married 1-year DIC benefits.

That concludes our statement, Mr. Chairman. If you have any questions, I would be glad to answer to them.

[The prepared statement of Military Order of the Purple Hearts appears on p. 60.]

Mr. **Applegate**. Thank you very much, Mr. Alvarez. Thanks for being with the committee.

Tom.

STATEMENT OF THOMAS H. MILLER, DIRECTOR OF GOVERNMENTAL AND COMMUNITY AFFAIRS, BLINDED VETERANS ASSOCIATION

Mr. **Miller**. Yes. I'm not an imposter this morning, Mr. Chairman.

Mr. Chairman and members of the subcommittee, the Blinded Veterans Association appreciates the opportunity to appear this morning to present our views on legislation pending before this distinguished subcommittee. Before I get into our specific comments on the legislation, I would like to commend the chairman for his leadership and all the members of this subcommittee for their commitment and sensitivity to the needs of our nation's disabled veterans and their families and for your efforts to ensure the provision of quality and timely benefits to our Nation's veterans. Your efforts are greatly appreciated.

BVA would also like to be on record as supporting all three bills pending before this committee this morning. H.R. 1334, the bill that would provide for the removal of limitations related to the payment of pension to veterans being furnished hospital care, long-term care in VA facilities.

We have had some direct experience earlier in this decade when this same provision of the law was amended, section 3203(a)(1), which resulted in the enactment of subparagraph (d) which removed the limitations for payment of pension to those veterans who enrolled in prescribed programs of rehabilitation. That directly affected blinded veterans, those with nonservice-connected blindness, and I have to report that it has been highly beneficial to those individuals to be able to enter programs without fear of loss of pension or reduction in their pensions. The law prior to that amendment really served as a very strong deterrent for veterans to enter rehabilitation programs which frequently will carry on beyond that 3-month period.

Similarly, we would like to support amending the law, specifically subparagraph (b) and (d), to remove the limitations for all veterans receiving "long-term care," that beyond 3 months.

My colleague from PVA was very eloquent in his description of the humanitarian problems that are created by the current law, and we also have some concerns as well about the practice of medicine, that many physicians and health care professionals sympathetic to the economic stability of a veteran may rush treatment or prematurely discharge, or this current law may encourage a veteran to take an irregular discharge or what was formerly known as "against medical advice" in order to protect his economic stability.

The hardships are incredible for many of these veterans and we feel that it would be most equitable to remove those limitations.

H.R. 1335, the provision in the legislation that would increase compensation by 4.9 percent paid to service-connected disabled veterans and DIC recipients, we certainly support that. We have documented in our written statement the needs and the rationale for this increase. We also feel strongly that the 4.9 is a much more realistic estimation of the CPI near the end of the year as opposed to the administration's 3.6 percent.

I believe the most recent figure I've heard, the current rate of inflation is somewhere hovering around 7 percent and projections are that it may be down in the neighborhood of 5 percent near the end of the year, so certainly 4.9 is more realistic.

Finally, on H.R. 1336, again we support this bill that would reduce the required duration of marriage from 2 years to 1 year for certain widows' eligibility for DIC benefits. We feel this would be consistent with other DIC legislation and certainly we supported this legislation last year and are hopeful that the Senate will come around this session and we will have favorable action.

While on the subject of DIC, BVA would also like to support and encourage the need for review and reform of the current DIC law. We are mandated by our membership to encourage and seek reform of the DIC program. We feel that it is inappropriate that benefits be based on a man's military rank while in service and should rather be based on the compensation received at time of death.

We realize that there is not a consensus amongst the veterans' organizations regarding just what the formula should be and we would encourage all the veterans' organizations present this morning and members of the committee and staff to work together to come up with a consensus as to what would be the most equitable formula for computing DIC benefits.

We also are mandated by our membership this year with a new DIC proposal or proposal related to DIC, and this is a law that was implemented in 1985 by the Canadian Government and seems to be working very well. This provision would call for the continuation of a veteran's service-connected compensation to the widow for a period of 1 year following the veteran's death.

The death of a spouse is an extremely emotionally traumatic experience. The widow or surviving spouse does not need financial hardship to deal with immediately following the death of their loved one. DIC benefits, on average, take 3 to 4 months and in some cases longer before the surviving spouse begins receiving their award. We know of one example that took 6 months. If that is the only income upon which the widow is going to survive, it is very, very difficult to have to deal with no income at the same time experiencing the emotional loss of their spouse.

We feel this proposal is realistic, it's doable, it's something that would be highly beneficial in helping that widow or surviving spouse to adjust to the loss of their spouse as well as to manage the financial liabilities and obligations that were incurred as a couple.

In conclusion, Mr. Chairman, we would again like to thank you for this opportunity. We appreciate these opportunities and your leadership here with the subcommittee and the committee as a whole, and would certainly be pleased to answer any questions that you might have at this time. Thank you.

[The prepared statement of Blinded Veterans Association appears on p. 61.]

Mr. APPLEGATE. Thank you, Tom. Thanks to all of you.

I just have one question I wanted to ask, and I'll ask John because we introduced the bill at his request, too. And that is on the cost. I understand that according to the Department of Veterans Affairs, it would be a cost of about $3 million a year.

Do you know that to be accurate? Do you have your own cost estimates?

Mr. BOLLINGER. I don't know precisely what the cost will be. I do know that the individuals who are affected by the reduction represent probably about 1 to 2 percent of the entire number of single pension recipients that are getting this benefit from the Department of Veterans' Benefits. So it would be a relatively low number.

Mr. Alvarez mentioned the procedure that the Department takes when adjudicating these claims to be effective on a certain date. I might also point out that our survey indicated that a lot of these cases were not reduced in a timely manner, the result being that large overpayments were created. Now, I'm talking $5,000 or $6,000 in many cases.

Now, in some instances, the veteran is able to obtain a partial or a full waiver. Unfortunately, in many instances, he or she is not, and subsequent pension checks therefore are either partially or totally withheld to offset these incredible overpayments that have been made as a result of the VA not being able to implement the reduction in a timely fashion. So it's an administrative problem as well as humanitarian problem.

Mr. APPLEGATE. Right. And the payback of the overpayment has a long-term adverse effect.

Mr. BOLLINGER. Whatever the cost is the Department comes up with, I think could be offset in large part by the administrative offset.

Mr. APPLEGATE. Thank you very much, John. That's not a very large amount of money anyway, even by the DVA's estimates.

Thank you very much for appearing before the committee today.

Panel 3, we have Mrs. Jean Arthurs, legislative director, National Association of Military Widows; Mr. Samuel J. Walsh, assistant director, National Legislative Commission and Phil Wilkerson, assistant director of National Veterans Affairs and Rehabilitation Commission, the American Legion; Mr. Charles Partridge, legislative counsel, National Association for Uniformed Services; and Mr. John Heilman, national legislative director of the DAV.

Jean, if you would like, you can lead off. You are the rose between all of those thorns.

STATEMENT OF JEAN ARTHURS, LEGISLATIVE DIRECTOR, NATIONAL ASSOCIATION OF MILITARY WIDOWS

Mrs. ARTHURS. Thank you, sir.

Thank you, Mr. Chairman and members of the committee. We appreciate your allowing us to present testimony today.

Our group is in support of H.R. 1335 which provides a 4.9 percent cost-of-living increase for the recipients of DIC compensation. The Veterans Administration study of 1978 stated that the average military widow receiving DIC benefits was over 60 years of age. Thus, 10 years later, we will find the average widow in the age 70 category and she has added problems such as the infirmities of the elderly as well as trying to exist.

Since for many of the widows, DIC is their only means of support, there are having great problems with the inflation, housing costs, even the assessments on housing in areas are complicating their life style. So various things are eroding the widow's meager existence, causing them great concern.

We support H.R. 1336 which reduces from 2 years to 1 year the period of time that surviving spouses must have been married to a veteran who dies while in receipt of compensation for a service-connected disability in order for the surviving spouse to be eligible for DIC compensation. I think anyone that is married to someone in that category certainly deserves the benefit of the doubt. What is 1 year or 2 years? In some instances that length of time could make a tremendous difference.

The following bills have been introduced: H.R. 93, Mr. Bilirakis' bill, which allows remarriage at age 55, retention of the DIC annuity; H.R. 337, Mr. Hammerschmidt's bill, and H.R. 475, Mr. Roe's bill, allow remarriage after age 60 with retention of the DIC annuity.

In the Senate, Senator Stevens has introduced S. 505, which allows remarriage after age 55 with retention of the DIC annuity. Support is growing within Congress for the correction of this oversight regarding remarriage of the DIC widow. We have canvassed the many military service groups, and many of the people in Congress, and found that the majority are in accord with correcting this remarriage issue for DIC widows.

It seems strange that this continues. It's the only group that is not allowed this remarriage, and as Les Aspin has said, "No society can be just if it forces its aged to grovel."

DIC compensation is a benefit accorded survivors whose sponsors died on active duty or of a service-connected cause. It is unique in two classifications. It is the only Federal program in which the longer the sponsor served and the higher rate or rank he attained, the less in proportion the survivor receives.

Also, DIC is the only Federal annuity program which does not allow the recipient remarriage after age 55 to retain that annuity. From a moral standpoint, this requirement seems to give assent to living together without marriage. And, you know, this presents a moral judgment that most of our widows are very reluctant to take. I think that should be very important in this consideration.

H.R. 93, H.R. 337 and 475, which would allow remarriage and retain the compensation. The former is in keeping with the current status of the Federal Survivor Benefit Plan. Social Security, Civil Service, Foreign Service, the Military SBP and RSFPP Annuity Programs. They all allow the widow to retain the entitlement or pension when she remarries. This is a matter of treating Federal widows equitably.

It is difficult to believe that only the DIC widows who have suffered the tragedy of the circumstances of the unfortunate active duty death should be singled out with this obvious oversight and discrimination. As women age, there are so few who have the opportunity to remarry in later years. In this day of high-cost catastrophic illness and lingering death, it would be cost effective for the Government if the widowed singles could afford to remarry and care for one another in sickness and old age.

For many elderly, retaining the DIC benefit could make the difference between better home care as opposed to institutional care, and this is a very important factor.

If the Federal Government is to be equitable and fair, consideration must be given to the equalization of the Military, Civil Service, and Foreign Service widow compensations when a comparable active duty death is involved. Comparable worth is of the essence today and a worthy area to study is within the Federal widows' compensation programs. A substantial difference in death compensation exists at every pay level between the DIC and FECA programs.

Why does a DIC widow receive less compensation than the Foreign Service widow when deaths are comparable? The Military are paid and administered by the same Department of Defense and they all have the same paymaster, the U.S. Treasury.

The Employee Retirement Income Security Act, ERISA, and the Federal Civil Service Survivors Program provide better survivors' compensation than the DIC program. The benefit levels of the DIC program do not adequately replace the income losses of servicemen who have died while on active duty or who retired in disability.

In the past there have been requests for the Veterans Administration to make comparison studies for the DIC and other related Federal compensation annuity programs. We think this should be done.

I realize that my time is up, but we're back to this problem. There is a certain group of military widows who receive DIC who are not entitled to care under the Uniformed Services Medical Facilities. This means Bethesda and Walter Reed. These people are not entitled to care there. Under section 6113, title 38, they are eligible for care and prescriptions at the Veterans' Medical Facilities. At the present time, this section of the statute is not known or recognized at veterans' hospitals. It is a sad day when a DIC widow living in poverty is refused medical prescriptions from a nearby veterans' hospital when it is really her entitlement. Surely you people can help us with some action to rectify this oversight.

Again, we must consider the amendment to S. 91 that awarded SBP benefits to widows whose husbands were eligible to retire but who died on active duty before September 21, 1972. There has been no action taken to inform and officially notify these eligible DIC widows. For 8 years I've been talking to committees and everyone to do something about this. The bill was passed. It is only fair that these widows should be aware of their acknowledgment and the very simple procedure of advising the Veterans Administration to insert a flyer in the eligible recipients' DIC checks would provide a fair solution to this oversight. Please help us.

Thank you so much for allowing me to testify. I will be very happy to answer any of your questions.

[The prepared statement of Mrs. Arthurs appears on p. 65.]

Mr. APPLEGATE. Thank you very much, Jean.

We will start over here with the American Legion. Phil.

STATEMENT OF SAMUEL J. WALSH, ASSISTANT DIRECTOR, NATIONAL LEGISLATIVE COMMISSION, AND PHILIP R. WILKERSON, ASSISTANT DIRECTOR, NATIONAL VETERANS AFFAIRS AND REHABILITATION COMMISSION, THE AMERICAN LEGION

Mr. WILKERSON. Thank you very much, Mr. Chairman. The American Legion appreciates this opportunity to share its views with you on legislation under consideration this morning. I will endeavor to be very brief.

The American Legion wishes to express its support for H.R. 1335 which would increase by 4.9 percent the monthly rates of disability compensation to service-disabled veterans and those entitled to DIC benefits. We would also support the amendment of H.R. 1334 to remove the $60 limitation on the payment of nonservice pension benefits to certain veterans who are hospitalized in excess of 3 months.

We would also not pose any objection to the marriage change proposed by H.R. 1336.

Mr. Chairman, that concludes our statement.

[The prepared statement of the American Legion appears on p. 70.]

Mr. APPLEGATE. Thank you very much, Phil.

Chuck.

STATEMENT OF CHARLES C. PARTRIDGE, LEGISLATIVE COUNSEL, NATIONAL ASSOCIATION FOR UNIFORMED SERVICES

Mr. PARTRIDGE. Good morning, sir.

I very much appreciate the opportunity to present the views of the National Association for Uniformed Services and the Society of Military Widows to this distinguished panel.

We support all three of the bills pending before the committee this morning and would like to comment on them. First of all, regarding the 4.9-percent increase in veterans' disability compensation and dependency and indemnity compensation, we of course support that. Unfortunately, the current administration budget would freeze all cost-of-living adjustments for veterans receiving retired pay and for their widows who receive survivor benefit plan payments.

This freeze would take effect in 1990 for 1 year. Then each year thereafter, annual adjustments would be reduced 1 percent below the inflation rate.

Since current law requires a dollar-for-dollar reduction in retired pay and SBP for VA compensation payments, the retired veteran and the military widow would receive none of this increase.

Passage of H.R. 303, as other people have testified here, would resolve this problem, and of course we support that. But in the meantime it would be helpful if H.R. 1335 included a provision which would prohibit any offsetting reductions being made when such reductions would have the effect of nullifying proposed increases.

Regarding H.R. 1336, we support the change in the required period of marriage for widows' eligibility for DIC from 2 years to 1 year. We also support a change which has been brought up that would allow the remarriage of a surviving spouse of a veteran after age 55 without termination of DIC. Currently the Civil Service, the Foreign Service, the Military Survivor Benefit Plan surviving spouses may remarry after age 55, and we believe the same provision should apply to DIC widows.

We would also suggest that it is probably time to look at DIC. The current method considers only military pay grade for calculating the amount of compensation. We support the proposal that primary consideration of a fixed and minimum amount be payable to all DIC widows based on the veteran's pay grade. However, this base amount could then be adjusted with consideration given to length of service as well as condition or circumstance leading to cause of death, and perhaps some other factors.

As I stated before, we support H.R. 1334, to prevent the automatic reduction and benefit for veterans who are hospitalized.

Mr. Chairman, thank you very much for this opportunity to testify.

[The prepared statement of Mr. Partridge appears on p. 74.]

STATEMENT OF JOHN F. HEILMAN, NATIONAL LEGISLATIVE DIRECTOR, DISABLED AMERICAN VETERANS

Mr. Heilman. Good morning, Mr. Chairman, Mr. McEwen, and Mr. Sangmeister. I will summarize my statement, Mr. Chairman.

Just let me say at the outset that the DAV appreciates the advocacy that you and the subcommittee have always given to service-connected veterans and we appreciate being given the opportunity to offer our views this morning on disability compensation and DIC, programs that are so very important to our members.

With respect to H.R. 1335 proposing the 4.9-percent COLA, we strongly support the measure. The data from BLS, as far as the CPI movement since December and January and February of this year, indicates that I believe your 4.9-percent proposal is right on target if that is carried through for the balance of this year.

We would note that the pending measure does not include the "k" award for the 4.9-percent increase and, as you know, that's a special monthly compensation benefit in addition to the basic rates of compensation that are given to veterans who have incurred service-connected loss, or loss of use of an extremity or certain other body organs and functions. This award is not always increased by the Congress when they do provide COLAs to compensation recipients. It was last increased 3 years ago to its present amount of $63 a month, and we would ask the subcommittee to consider including the "k" award for the COLA.

Before I leave the subject of compensation, we do agree with the indication you gave to Mr. Vogel earlier about indexing compensation benefits. We most certainly prefer to have the decisions relative to upward adjustment rest in the hands of this subcommittee, as opposed to an automatic formula. So we certainly don't want to see indexing occur.

With respect to H.R. 1336, we support this proposal to reduce the length of marriage criteria that applies to a surviving spouse under DIC awards under section 418 of title 38. Last year, you may recall, when your committee recommended such a definition change, the DAV supported it and our position has not changed one bit. Mr. Vogel, in his testimony, indicated that he felt that some distinction should be maintained between DIC awards under 418 as opposed to those under section 404, and I would just want to state that there is a distinction regarding the awards of DIC under these two sections of law. For example, the section 418 presumptive DIC beneficiaries do not get the service-connected burial allowance. So there is a distinction that the Congress has maintained between these two categories of recipients, and with respect to the definition change for the length-of-marriage criteria, we just think it makes all the sense in the world to make it uniform and we certainly support the measure.

Finally, with respect to H.R. 1334, proposing to allow the VA to continue the pension payments for certain veterans who have no dependents and who are given long-term care by the VA, we have no position on the matter pro or con, and that is not meant to imply that we don't think it has merit. I think it has been adequately demonstrated this morning that it does, but our lack of position simply reflects the fact that the DAV maintains a focus on service-connected entitlements and that's where our members have their keen interest and our legislative mandates deal with these service-connected entitlements.

That concludes my statement, Mr. Chairman. Thank you.

[The prepared statement of Mr. Heilman appears on p. 75.]

Mr. APPLEGATE. Thank you very much, Rick. Thanks to all of you.

I think, Chuck, you had mentioned about the support of not losing the benefits after marriage after 55. It is a very difficult thing, and I think there had been an estimate done. Is there any kind of a cost factor that you are aware of?

Of course, it's assuming how many are going to remarry. I don't know if you have any kind of—do you know of any kind of cost estimates?

Mr. PARTRIDGE. I don't have a cost figure. I think it would be hard to get. There may be one.

Mr. APPLEGATE. It probably would be.

Mr. PARTRIDGE. There may be a working figure that someone is using. I'll look for it but I have not seen it.

Mr. Applegate. I think the VA did have it at one time back a few years ago.

Rick, on that "k" award, I guess that award has not been considered for an increase each and every year because it's sort of, as you know it's not an income-related—it's an add-on.

Mr. Heilman. Yes, sir, it is. It's paid in addition to the basic rates. Yes, sir.

Mr. Applegate. But we can take a look at that for this year, too. It wouldn't be a large amount of money, as you know.

Mr. Heilman. I don't believe it would. I'm not sure of the number of "k" award recipients. I'm sure Mr. Vogel has that. But to point out, the increase 3 years ago was an extra dollar per month, $12 a year for the veteran when you last increased it.

Mr. Applegate. Yes.

Mr. McEwen?

Mr. McEwen. No questions.

Mr. Applegate. Mr. Sangmeister?

Mr. Sangmeister. No, Mr. Chairman.

Mr. Applegate. No questions.

I thank you all very much for appearing before the committee. You did such a beautiful job, nobody has any questions to ask. Thank you once again.

I would only say that there have been a number of organizations, five or six, who have indicated their intent to submit statements for the record, and without objection these statements will be included in the record.

Mr. Applegate. With that, this meeting is adjourned.

[Whereupon, at 10:43 a.m. the hearing was adjourned.]

Mr. [illegible]

Sir, [illegible]

Mr. [illegible]

Mr. [illegible]

Mr. [illegible]

APPENDIX

STATEMENT OF
R.J. VOGEL
CHIEF BENEFITS DIRECTOR
DEPARTMENT OF VETERANS AFFAIRS
BEFORE THE
SUBCOMMITTEE ON COMPENSATION, PENSION AND INSURANCE
COMMITTEE ON VETERANS' AFFAIRS
UNITED STATES HOUSE OF REPRESENTATIVES
APRIL 5, 1989

Mr. Chairman and Members of the Subcommittee:

I am pleased to be here today to discuss the three bills on your agenda: H.R. 1334, H.R. 1335 and H.R. 1336.

H.R. 1334

H.R. 1334 would end the existing statutory reduction of pension payments to certain hospitalized veterans. Under current law (38 U.S.C. § 3203(a)(1)(B)), if a veteran pensioner who has neither spouse nor child is being furnished nursing home or hospital care by the Department of Veterans Affairs (VA), his or her pension is reduced to $60 per month after three calendar months following admission. Under 38 U.S.C. § 3203(a)(1)(A), pension for such a veteran receiving domiciliary care from VA is so reduced after two calendar months. H.R. 1334 would change the law so that hospitalization would not result in a reduction. Reduction could still occur when the pensioner is receiving VA-provided domiciliary or nursing home care.

Awards of need-based pension have long been subject to reduction when the pensioner is hospitalized by VA. Prior to the enactment of Public Law No. 86-211, the law required temporary reduction of a pension award to one-half or $30--whichever was greater--when a pensioner with no wife, child or dependent parents was hospitalized at VA expense for more than six months. The balance of the award was withheld for the duration of hospitalization, with the withheld amount paid and the full award resumed upon discharge.

Public Law No. 86-211, effective July 1, 1960, established a new system of pension which was intended to make the pension program more reflective of the need concept on which it was based. As part of the redesigned system, 38 U.S.C. § 3203 was amended to provide a new rule of adjustment for veteran-pensioners with no dependents who were hospitalized at VA expense for more than two months. It was reasoned that since such a veteran received all essential care while in the hospital or domiciliary, the need for an income supplement for support was greatly reduced. Accordingly, the law provided that pension for such a veteran should not exceed $30 monthly (later changed to $50, then $60) for the duration of hospitalization and that the full award would be resumed upon discharge.

As noted, the Government furnishes the great part of the support for a hospitalized veteran without dependents. Hospitalization of these veterans may include intermediate care, which is a type of long-term care similar to nursing home care. Veterans receiving intermediate care have extended lengths of stay. Any abolition of the pension reduction or lengthening of the period following admission before a reduction takes place would only increase the value of the estate and the likelihood of inheritances by remote heirs. While we recognize that the veteran may in some cases have continuing obligations and fixed expenses, such as rent, we have no evidence that hospitalized pension recipients as a whole have been unable to meet their monthly obligations. Full benefits would be restored to the veteran upon discharge. The Administration believes that, where a veteran has no dependents and is being maintained at government expense, pension benefits should not be allowed to merely increase an estate to be inherited by collateral heirs. Accordingly, the Administration does not support an abolition of the pension-reduction provision.

VA estimates the cost of H.R. 1334 to be $3,300,000 in fiscal year 1990, with a five-year cost of $17.5 million for fiscal years 1990 through 1994. The cost methodology for our cost estimates regarding H.R. 1334, H.R. 1335 and H.R. 1336 is set forth in a memorandum attached to my prepared statement.

H.R. 1335

H.R. 1335 would provide increases in the rates of compensation for service-disabled veterans and of dependency and indemnity compensation (DIC) for the survivors of veterans who die as a result of service. The rate of increase is 4.9%.

The Administration strongly supports COLAs for these most deserving beneficiaries. We believe, however, that the Committee should reconsider the Administration's proposal--currently embodied in H.R. 1397--to index these increases to the Consumer Price Index (CPI), as the Congress has done in the pension program. The President's FY 1990 budget includes a 3.6 percent rate increase, the same as projected for social security and veterans' pension recipients.

Administration of the disability compensation and DIC programs is one of VA's most important missions. We recognize a duty to recommend periodic adjustments in monthly rates as economic conditions change. In recent years, compensation adjustments have generally been keyed to indexed cost-of-living allowances in Social Security and VA pension. However, these adjustments have not been automatic. Rather, they have been accomplished by the enactment of separate public laws designed for that purpose, the last being Public Law No. 100-687, approved by President Reagan on November 18, 1988. Since 1973, legislation has been enacted every year but one (1983) granting increases in these benefits to compensate for increases in the cost of living. VA has consistently supported these adjustments.

As you are aware, Mr. Chairman, reliance on separate public laws can result in problems. For example, H.R. 2945, which became Public Law No. 100-227, was not presented to President Reagan until December 22, 1987. Even though the rate increases contained in that law were effective December 1, 1987, the timing of the COLA enactment resulted in beneficiaries not receiving the first increased payments until issuance of the March 1988 checks, due to necessary administrative adjustments.

Tying compensation and DIC rates to the CPI would remove the issue of rate increases from the political arena and shield the determinations from pressures of the annual budget process. It would also save Congress the difficulty of regularly considering new veterans' COLA legislation, as it has been required to do virtually every year for over a decade and twice in the same year in one instance. Finally, it would eliminate COLA delays such as that experienced with Public Law No. 100-227.

While we certainly support granting veterans'-compensation recipients the same annual COLA as that given to veterans pensioners and social security beneficiaries, Mr. Chairman, we believe that indexing makes more sense in ensuring that our disabled veterans will receive timely increases in their benefits. Accordingly, we strongly recommend that H.R. 1397 be adopted rather than H.R. 1335.

VA estimates the cost of H.R. 1335 to be $435,600,000 in fiscal 1990, with a five-year cost of $2.5 billion for fiscal years 1990 through 1994.

H.R. 1336

H.R. 1336 would change eligibility requirements for DIC in the case of certain nonservice-connected deaths. As you know, DIC originated as a benefit paid to survivors of veterans who die on active duty or as a result of service. Since 1978, survivors of certain veterans who were permanently and totally disabled as a result of service but did not die as a result of service may also be eligible. Under current law, a spouse, to be eligible, must have been married to such a veteran for at least two years, or there must have been a child of the marriage. H.R. 1336 would change the required length of marriage to one year, which is consistent with the requirement applied in cases of service-connected deaths where marriage occurred more than fifteen years after service.

We do not support this bill for two reasons. First, because section 418 generously confers entitlement to DIC in cases of nonservice-connected death, it is not unreasonable that there be a higher standard of eligibility applied. Second, the length-of-marriage issue was a point of contention resolved when this benefit was originally established in Public Law No. 95-479 in 1978. The House approach would have required at minimum a five-year marriage; the Senate would have essentially required one year. We view the two-year period chosen by Congress as a reasonable compromise. Accordingly, we oppose this measure.

Mr. Chairman, because there are no statistical data on the number of surviving spouses who apply for and are denied benefits as a result of being married to the veteran for at least one year, but less than two years, prior to the veteran's death, we are unable to provide estimated costs of H.R. 1336.

This concludes my testimony, Mr. Chairman. I would be pleased to answer any questions you or your colleagues may have.

Veterans
Administration

Memorandum

Date MAR 31 1989

From Chief Benefits Director (20D)

Subj Cost Estimates, H.R. 1334, H.R. 1335, and H.R 1336

To Acting Deputy Assistant General Counsel (022A)
THRU: Director, Office of Budget & Finance (Controller) (04)

1. H.R. 1334 would remove the $60 per month limitation relating to the payment of pension to veterans furnished hospital care by the VA on a long-term basis. The benefit cost of this proposal would be (dollars in thousands):

Fiscal Year	Cost
1990	$ 3,300
1991	3,400
1992	3,500
1993	3,600
1994	3,700
	$17,500

The administrative cost would be less than $100,000 in 1990 with savings of less than $100,000 in 1991 and each year thereafter.

2. H.R. 1335 the "Veterans' Compensation Amendments of 1989", would increase compensation and DIC rates by 4.9 percent, effective December 1, 1989. The cost of this proposal would be (dollars in thousands):

Fiscal Year	Cost
1990	$ 435,600
1991	521,200
1992	520,200
1993	518,900
1994	517,900
	$2,513,800

3. H.R. 1336 would reduce from two years to one year the period of time that a surviving spouse must have been married to a veteran who dies while in receipt of compensation for a service-connected disability in order for that surviving spouse to be eligible for dependency and indemnity compensation. There are no statistical data on the number of surviving spouces who apply for and are denied benefits as a result of being married to the veteran for at least one year, but less than two years, prior to the veteran's death. Therefore, we are unable to provide the benefit and administrative costs for this bill.

R.J. VOGEL

VA FORM
[illegible] 2105

Methodology

a) H.R. 1334, H.R. 1335, H.R. 1336, all 101st Congress

b) H.R. 1334 would remove the $60 per month limitation relating to the payment of pension to veterans furnished hospital care by the VA on a long-term basis.

H.R. 1335 would increase compensation and DIC rates by 4.9 percent, effective December 1, 1989.

H.R. 1336 would reduce from two years to one year the period of time that a surviving spouse must have been married to a veteran who dies while in receipt of compensation for a service-connected disability in order for that surviving spouse to be eligible for dependency and indemnity compensation.

c) Five year cost - See Memo

d) Employment requirements - None

e) Change in caseload - None

f) Methodology - H.R. 1334 - A special computer run made in January 1989 identified 4,052 individuals on the pension rolls whose pension was being reduced $1,059,707 monthly because of long-term care being provided by the VA in a hospital, nursing home or domiciliary. It is not possible to separately identify how many of these would be affected by this bill because they are in a VA hospital. For purposes of this estimate, a figure of 25 percent was used since it is believed that most veterans receiving long-term care would be in a nursing home or a domiciliary and still be subject to the $60 limitation. This means that approximately 1,000 veterans would be affected. These veterans currently have about $3,200,000 withheld from their annual pension payments because of their hospitalization. To estimate the additional cost of this proposal, the annualized projected cost-of-living adjustments were applied to the current $3,200,000 withholdings to project the cost for 1990-1994. A constant hospitalized population of 1,000 veterans was maintained through 1994. To the extent that more than 25 percent of veterans receive long-term care in a VA hospital, the cost of this proposal would be increased proportionally.

H.R. 1335 - The estimated costs (as reflected in the 1990 President's Budget) for veterans compensation, dependency and indemnity compensation, and clothing allowance were increased by 4.9 percent (rounded down to the next lowest dollar) for 1990-1994.

g) Other assumptions - None

h) Similar estimates - No similar estimates have been provided in the 101st Congress.

i) Office and individual responsible for estimate - Veterans Benefits Administration Budget Staff (20D), William Buffington.

GOLD STAR WIVES OF AMERICA

Gold Star Wives of America, Inc.

STATEMENT OF

MRS. GERALDINE B. CHITTICK, LEGISLATIVE CHAIRMAN
GOLD STAR WIVES OF AMERICA, INC.

BEFORE THE

SUBCOMMITTEE ON COMPENSATION, PENSIONS AND INSURANCE
COMMITTEE ON VETERANS' AFFAIRS
UNITED STATES HOUSE OF REPRESENTATIVES

CONCERNING LEGISLATIVE PROPOSALS PERTAINING TO
DEPENDENCY AND INDEMNITY COMPENSATION

April 5, 1989

CHAIRMAN APPLEGATE AND MEMBERS OF THE SUBCOMMITTEE,

Thank you for the invitation to testify at this hearing on legislation which would effect a cost-of-living adjustment in Dependency and Indemnity Compensation (DIC). I am Geraldine Chittick, National Legislative Chairman of Gold Star Wives of America, and I am pleased to present the position and recommendations of our organization.

Gold Star Wives of America came into existence in 1945 when World War II was leaving thousands of widows and fatherless children in its wake. Existing organizations had been established on the basis of the war involved; therefore, there was no organization to which to turn for understanding, advice, and assistance. Our membership is comprised of women whose husbands died while a member of the Armed Services of our country, or who died subsequent to such service as a result of injury or disability incurred during active service.

As the inflationary trend in the economy continues, a cost-of-living adjustment in DIC becomes increasingly important. We appreciate the regular increases which have been forthcoming; however, from the mail I receive, it is a near traumatic experience to find that housing, food, and medical costs each increase in amounts equating to the latest COLA for many recipients in the lower ranking categories. A descending standard of living is becoming a reality for many of the widows. DIC recipients are an aging group. Many are no longer employed, retirement and pension fund plans have evaporated with inflation, and they have neither the health or luxury of driving around to search for the most economical purchases to help their situations.

H.R. 1335

The proposed 4.9 percent cost-of-living adjustment contained in H.R. 1335 would be necessary and welcomed by all recipients, but most especially those in the lower rank categories. However, the projected figures would bring the differential between lowest and highest amounts to a staggering $883 per month. The difference is more than the rate paid in 17 of the 23 ranks, and it behooves us to press for adjustments to improve the compensation in the lower categories.

We are fully cognizant of the budget deficiencies which have been with us now for several years, but as year after year goes by without revision, the problem increases. Because compensation is the priority concern of those in Gold Star Wives, it has been a subject discussed on the Assembly floor of many National Conventions. During preparation of a Statement to present to the Veterans' Advisory Committee in 1967, it became obvious that a compromise could be reached only if some recognition of rank and length of service were to be included. Following Commission hearings, Veterans' Affairs Committees and Congress adopted the current formula in 1969, which went along without problems for only a short time before inflation began to play havoc again in the differential between lowest and highest rates.

The Veterans Administration was requested to conduct an evaluation of the DIC Program in the mid-seventies, and it was at that time that Gold Star Wives of America was invited to submit a recommendation. Using information gleaned from a 1975 Questionnaire mailed to all members, we arrived at the recommendation at our 1977 National Convention which our organization still deems to be a fair and just one. It was reaffirmed in 1983 in anticipation of the upcoming oversight hearing on DIC. The recommendation of Gold Star Wives of America is:

RECOMMENDATION: That a flat base rate be readopted (as in 1956-69) providing all widows an equal base pay rate plus a set rate based on rank and length of service, with the cost-of-living adjustments (COLA) being applied to only the equal base rate. In this manner, the gap would not continue to become greater and greater as it does under the present system (and which also occurred in the method of computation used from 1956-1969).

In the 1978 Report of the Veterans Administration's Study, the original DIC program (1956-69) had been deemed costly and complicated to administer. We would point out that during that time, the add-on was based on current military pay rates, which were changing every six months or even more often. Under the Gold Star Wives recommendation, once computed, the add-on amount for rank and length of service would not change. Gold Star Wives of America is a complete representative of the recipients of DIC, and we are proud to point out that among its members, there is no distinction between rank, race, creed, or eligibility for membership. Another consideration of a flat rate rests in the fact that, especially during periods of war and conflict, rank and length of service did not reflect high post-service earning potential of many of the casualties.

We request that this Committee take steps to investigate the feasibility of a DIC formula based on the Recommendation of Gold Star Wives by introducing legislation for consideration.

H.R. 1336

We do not concur that a spouse should be a recipient of DIC after as little as one year of marriage to a service-disabled veteran. We believe this would increase an already abused practice.

Other DIC Concerns

We believe passage of legislation to permit remarriage without loss of DIC is long overdue for consideration. Several bills have been referred to this Committee which would eliminate this discriminatory situation. Few retired couples are sufficiently affluent for one retirement income to provide complete support, especially if the health of one or the other is impaired. Permitted to remarry, they could provide each other the emotional support and physical assistance necessary to possibly avoid nursing home residence for many years and thereby preclude or delay becoming a financial burden on government aid.

Thank you for the opportunity to participate in this hearing. I will be pleased to address any questions.

Statement of

SYDNEY T. HICKEY

Director of Government Relations
The National Military Family Association, Inc.

Before the

COMPENSATION, PENSION AND INSURANCE
SUBCOMMITTEE
of the
VETERANS' AFFAIRS COMMITTEE
of the
U. S. HOUSE OF REPRESNTATIVES

April 5, 1989

Not for Publication
Until Released by
the committee

The National Military Family Association (NMFA) is a volunteer, non profit organization composed of members from the seven uniformed services, active duty, retired and reserve, and their family members and survivors. NMFA is the only national organization whose sole focus is the military family and whose goal is to influence the development and implementation of policies which will improve the lives of those family members. NMFA appreciates this opportunity to express its views.

The Department of Veterans Affairs provides benefits, including a monthly annuity (Dependent and Indemnity Compensation - DIC) for survivors of service members who die of a service connected disability. In addition, DIC is also paid to certain survivors of service members who were 100% service-connected disabled at the time of death even though their deaths were not a result of their service connected disability.

Military personnel now lag 10.5% behind the private sector in pay. Two thirds of military families live in the civilian community and are currently absorbing 21.5% of their housing costs, versus the 15% prescribed by Congress. Military families incur $1,000 to $3,000 in out-of-pocket, unreimbursed expenses each time they move on government orders.

Over 60% of military wives are in the work force, yet they earn less than their civilian peers and have an unemployment rate three times greater. Military wives are also underemployed. According to the 1985 Department of Defense Spousal Survey, 46% of enlisted wives and 35% of officers wives are employed below their skill level. Military spouses find it nearly impossible to advance in their own careers because of frequent and unpredictable relocation associated with the military lifestyle. In addition, frequent moves usually preclude spouses from earning any pension benefits in their own right.

Active duty military families are young. Almost 50% of the enlisted force is 24 years of age or younger. Military children are young. Of the 1.7

million dependent children, 28% are under five years of age and an additional 29% are five to nine years of age.

When an active duty service member dies, he leaves behind a young family, who, if not in debt, has been unable to accumulate any savings. His wife has been unable to secure employment that met her skill level, was financially rewarding, or created a career track. DIC often stands between these families and total financial destitution.

The older military widow has been unable to accrue pension benefits in her own right. Her access to no-cost health care in a Military Treatment Facility is severely restricted. Forced into the private sector for her health care, she is unprepared to meet this unexpected financial burden. Her mobile military lifestyle has limited her opportunity to accumulate savings. DIC often stands between the older military widow and total financial destitution.

NMFA FULLY SUPPORTS THE 4.9% COST-OF-LIVING INCREASE FOR DIC. Adequate cost-of-living increases in DIC are a necessity if survivors are to retain their financial viability.

NMFA FULLY SUPPORTS H.R. 1336. The intent of this legislation is to reduce to one year the period of time that certain surviving spouses must have been married to a veteran to be eligible for DIC.

NMFA ALSO SUPPORTS ALLOWING DIC SPOUSES TO REMARRY AT AGE 55 AND RETAIN THEIR BENEFITS. This initiative would bring the entitlement into conformity with other federal survivor programs.

NMFA remains concerned about the lack of accurate, up-to-date information given to service families regarding survivors rights and benefits. The immediate assistance offered to an active duty widow is often comprehensive. However, the pamphlets and booklets provided to her are neither up-to-date nor comprehensive.

The explanation of Federal Civil Service Employment preference is so varied from pamphlet to pamphlet, one would think they were talking about different benefits. The pamphlets provided by some of the services do not mention what the widow's rights and benefits would be if she remarried and that marriage subsequently ended. Nowhere is she given information about her possible eligibility for CHAMPVA. The information on the Survivor Benefit Plan (SBP) is either inaccurate or sketchy. At the time of her husbands's death, a young widow with a baby and a toddler will not be thinking about college education benefits for those children. The material provided to her must be comprehensive enough to serve as a guide to benefits for her family throughout their lives.

Survivors of retired Navy and Marine Corps personnel do not receive causalty assistance calls. Survivors of retired Army personnel receive casualty assist-ance calls only if they are requested. These older widows often live at substantial distances from military installations. They must rely on the accuracy and comprehensiveness of the information in the material sent to them.

Survivors need accurate, up-to-date information about all of their benefits. They also need to have accurate information about rights and benefits that are not of current concern, but may become extremely important in the future.

Documents the survivor must have to claim benefits are listed in each of the pamphlets. Since the pamphlets are provided to the military spouse only at the time of the service member's death, the widow may not know the location of these documents.

The military spouse needs to know what benefits will be available and what documents will be necessary before the death of the service member.

NMFA is aware that the rights and benefits of survivors are granted by both the Department of Defense (DOD) and the Department of Veteran's Affairs (DVA). NMFA suggests that comprehensive booklets be prepared by either DOD or DVA for the use of all of the services. It would be far less costly for the individual Services to add a cover letter explaining their specific survivor programs , than to be responsible for the entire booklet. Savings produced by a single source document could be spent on keeping the information up-to-date and accurate.

NMFA further requests that this booklet be given to the spouse when the military dependent identification card is issued as well as at the time of the service member's death.

NCOA

Non Commissioned Officers Association of the United States of America

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STATEMENT OF

Richard W. Johnson, Jr.
Director of Legislative Affairs

before the

Subcommittee on Compensation,
Pensions and Insurance

Committee on Veterans' Affairs
U.S. House of Representatives

on

Compensation Programs

April 5, 1989

Chartered by the United States Congress

Mr. Chairman. The Non Commissioned Officers Association of the USA is sincerely grateful for the opportunity to comment on veterans' compensation program improvements for fiscal year 1990. In addition to commenting on the three bills under consideration by the committee, NCOA will also comment on two other issues of importance to Association members regarding the structure of the DIC program and the payment of disability compensation to military retirees.

H.R. 1335

This bill would provide a 4.9 percent cost-of-living increase in veterans' service-connected disability compensation and Dependency and Indemnity Compensation paid to the survivors of veterans who died from a service-connected cause. The bill would also adjust the rates of additional compensation for dependents, clothing allowances for certain disabled veterans and supplemental benefits for certain children and aging survivors.

NCOA is pleased to offer its support to this measure with the stipulation that if inflation should exceed 4.9 percent, the increase provided in the bill should be adjusted accordingly.

H.R. 1336

Under the provisions of H.R. 1336 the required period of a marriage for Dependency and Indemnity Compensation eligibility would be reduced from two years to one year. This change would make survivor benefits eligibility consistent with other major survivor programs which require only one year of marriage. It too has the support of NCOA.

H.R. 1334

H.R. 1334 would eliminate the automatic reduction in pension benefits for veterans hospitalized more than 60 days. This bill addresses a rather unique problem. Under current law, the pension of a veteran who has no dependents is automatically reduced to an amount not to exceed $60 per month if the veteran is hospitalized more than 60 days. As a result of this arbitrary reduction in benefits many veterans lose leases and frequently, personal possessions if they are not able to make rent or lease payments on their house or apartment because of hospitalization. While NCOA understands the desire not to maintain homes for veterans who may be permanently hospitalized, the Association believes pensions should be liberalized to preclude losses by those who might subsequently be released from medical care. Accordingly, NCOA endorses and encourages early adoption of H.R. 1334.

D.I.C. Structure

Mr. Chairman, for several years NCOA has advocated a restructuring of the D.I.C. program. Currently the D.I.C. program is the only benefit based on military rank. As a result, the benefits of the program are skewed to reward the survivors of those in the highest military grades notwithstanding the nature or duration of the veteran's disability. For example, the widow of a private who was totally disabled in Vietnam in 1968 who subsequently died from a service-connected cause in 1988 is compensated as the widow of a private. Yet the veteran's death and current earnings had nothing to do with a military rank last worn twenty years ago. Presume a lieutenant colonel was similarly injured in the same engagement and died at the same time. During the twenty years they lived the VA compensated them equally. They received exactly the same medical care and other personal benefits. Their children were treated equally in receiving education benefits. Only their widows will be compensated differently. In this case the private's widow will receive $340 less per month than the colonel's widow. The current D.I.C. scale is even unfair to the person who dies on active duty. For example, why should the widow of a captain (O-3) with five years of service receive a higher monthly stipend than a Sergeant Major with 30 years of service. These are examples of only two of the many inequities which currently plague the VA survivor benefit system.

NCOA continues to advocate a flat rate compensation system for survivors or one which more adequately addresses survivor needs. Hopefully, the committee will continue to examine this recommendation in the future as funds become available to consider such program modifications.

Concurrent Receipt

Mr. Chairman, NCOA was sadly disappointed last year by a lack of committee action on H.R. 303, a bill by Representative Mike Bilirakis which would have allowed military retirees to receive veterans' disability benefits concurrently with nondisability military retired pay. This issue is, of course, a matter of equity. Only the military retiree is forced to forfeit a portion of income to receive veterans' disability compensation. Such forfeitures are not required of other federal employees, elected officials, union workers, or anyone else. It is only the career servicemember who pays a penalty for long and faithful service to the nation. Recognizing this inequity last year more than half of all House members cosponsored the Bilirakis' proposal. Included in that number was a majority of both the full veterans' committee and this subcommittee. Hopefully, the committee will give the issue greater consideration this year.

Thank you.

VETERANS OF FOREIGN WARS OF THE UNITED STATES

OFFICE OF THE DIRECTOR

STATEMENT OF

JAMES N. MAGILL, DIRECTOR
NATIONAL LEGISLATIVE SERVICE
VETERANS OF FOREIGN WARS OF THE UNITED STATES

BEFORE THE

SUBCOMMITTEE ON COMPENSATION, PENSION AND INSURANCE
COMMITTEE ON VETERANS' AFFAIRS
UNITED STATES HOUSE OF REPRESENTATIVES

WITH RESPECT TO

H.R. 1335 - TO INCREASE COMPENSATION AND DEPENDENCY AND INDEMNITY COMPENSATION (DIC) RATES, **H.R. 1336** - TO MAKE MINOR CHANGES IN ELIGIBILITY CRITERIA FOR CERTAIN DEATH BENEFITS PAYABLE AT DIC RATES AND **H.R. 1334** - TO LIBERALIZE PAYMENT OF PENSION TO CERTAIN HOSPITALIZED VETERANS

WASHINGTON, D. C.

APRIL 5, 1989

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE:

Thank you for the opportunity to present the views of the Veterans of Foreign Wars of the United States with respect to a cost-of-living adjustment (COLA) for certain veterans and their dependents, a bill to amend the criteria for certain death benefit payments, and another bill providing for the liberalizing of pension payments to certain hospitalized veterans.

Mr. Chairman, at this time I would like to commend you and the entire Subcommittee for your continuing effort to improve and protect the benefits and entitlements our nation's veterans have earned. This Subcommittee, as well as the full House Veterans' Affairs Committee consistantly work in a bipartisan manner to champion the veterans cause and the VFW is proud to associate ourselves with you in that endeavor.

H.R. 1335, introduced by you and your entire Subcommittee as well as the Chairman and Ranking Minority Member of the full Committee, would amend title 38 of the United States Code to increase the rates of compensation and dependency and indemnity compensation (DIC) payable to veterans with service-connected disabilities and their survivors by 4.9 percent. This increase would be effective December 1, 1989.

In recent years, the voting delegates to our National Conventions have consistently approved resolutions which call for an annual COLA for Department of Veterans Affairs beneficiaries that is at least commensurate with the Consumer Price Index. While the Administration is proposing a COLA of only 3.6 percent, recent projections suggest that a Consumer Price Index of 4.9 percent is more realistic. Consequently, the VFW supports H.R. 1335.

In the area of compensation, I would like to take this opportunity to address an Administration proposal which would, in our opinion, adversely impact on the DVA's compensation program. I am referring to the indexing of compensation benefits to the annual change in the Consumer Price Index. We believe such action would result in reduced congressional review of the compensation program. In the past, the Congress has been compassionate and fair in addressing the needs of our nation's service-connected disabled and we foresee no benefit to veterans in substituting an automatic process for the personal attention of your Subcommittee and, for that matter, the entire Congress.

The next bill, H.R. 1336, introduced by you along with Mr. Montgomery, Mr. Stump and Mr. McEwen, would reduce from two years to one year the period of time that a surviving spouse must have been married to a veteran who dies while in receipt of compensation for service-connected disability in order for the surviving spouse to be eligible for dependency and indemnity compensation. The VFW does not believe that enactment of this bill would lead to the creation of marriages for economic gain and therefore has no objection to its advancement.

Finally, Mr. Chairman, H.R. 1334, a bill introduced by you, would prevent the reduction of pension benefits for veterans who are hospitalized for periods exceeding three months. Under current law, if a veteran with no dependents is provided hospital care by the Department of Veterans Affairs for a period in excess of three months, his or her nonservice-connected DVA pension benefit is reduced to a maximum of $60 per month until the time when the veteran is discharged from the hospital. While the VFW has no resolution addressing this issue, we are aware of certain circumstances where veterans suffer hardship when their pension is reduce--specifically, paying rent to maintain an apartment and other financial obligations. For this reason, we have no objection to the enactment of H.R. 1334. Statistics released by the Department of Veterans Affairs shows more than 600,000 veterans receiving an average of approximately $320 per month in nonservice-connected pension payments. While we recognize the potential exists for significant costs associated with H.R. 1334, we believe the number of veterans who would benefit from this bill's provisions are extremely low.

Mr. Chairman, this concludes my statement and I will be happy to respond to any questions you have.

Mike Bilirakis

STATEMENT OF THE HONORABLE MICHAEL BILIRAKIS
SUBCOMMITTEE ON COMPENSATION, PENSION AND INSURANCE
APRIL 5, 1989

THANK YOU, MR. CHAIRMAN. I COMMEND YOU FOR YOUR LEADERSHIP IN SPONSORING H.R. 1335 WHICH I STRONGLY SUPPORT. H.R. 1335 WOULD PROVIDE A 4.9% COST-OF-LIVING ADJUSTMENT FOR DISABLED VETERANS AND DEPENDENCY AND INDEMNITY COMPENSATION RECIPIENTS.

ON ANOTHER COMPENSATION MATTER PENDING BEFORE THIS SUBCOMMITTEE, I URGE YOU MR. CHAIRMAN, TO ACT PROMPTLY ON H.R. 303. AS YOU KNOW, H.R. 303 WOULD ELIMINATE THE FUNDAMENTAL INEQUITY IN CURRENT LAW WHICH REQUIRES MILITARY RETIREES TO PAY FOR THEIR VA DISABILITY COMPENSATION OUT OF THEIR MILITARY RETIREMENT. A 19TH CENTURY LAW REQUIRES MILITARY RETIREES TO WAIVE DOLLAR FOR DOLLAR THE AMOUNT OF THEIR MILITARY RETIREMENT EQUAL TO THE AMOUNT OF THEIR VA DISABILITY COMPENSATION.

CAREER MILITARY RETIRED VETERANS ARE THE ONLY GROUP OF FEDERAL RETIREES WHO ARE REQUIRED TO WAIVE THEIR RETIREMENT PAY IN ORDER TO RECEIVE VA DISABILITY. I FIND THIS 19TH CENTURY WAIVER REQUIREMENT ENTIRELY INEQUITABLE BECAUSE A MILITARY RETIREE IS UNJUSTLY PENALIZED BY THE FACT THAT HE CHOOSE THE MILITARY SERVICE AS HIS CAREER. IN EFFECT, THE MILITARY RETIREE IS SINGLED OUT SOLELY BECAUSE OF HIS CAREER CHOICE.

IT IS DEEPLY DISTURBING TO ME THAT THIS BRAVE GROUP OF DISABLED RETIRED VETERANS ARE THE ONLY GROUP OF FEDERAL RETIREES WHO CANNOT COLLECT THEIR RETIREMENT FOR HAVING SERVED THEIR COUNTRY FOR TWENTY YEARS OR MORE AND ALSO RECEIVE THEIR VA DISABILITY FOR A SERVICE-CONNECTED INJURY DEPENDING ON THEIR PERCENTAGE OF DISABILITY. IF THE SERVICEMEMBER DOES NOT GIVE UP HIS MILITARY RETIREMENT HE FORGOES ALL DISABILITY BENEFITS FROM THE VETERANS ADMINISTRATION.

H.R. 303 HAS RECEIVED WIDESPREAD BIPARTISAN SUPPORT FROM 209 OF OUR COLLEAGUES AND 18 VETERANS ORGANIZATIONS. SENATOR SPARK MATSUNAGA OF HAWAII HAS JUST RECENTLY INTRODUCED THE SENATE COUNTERPART, S. 190, WHICH CURRENTLY HAS 6 COSPONSORS.

LAST SPRING, THIS SUBCOMMITTEE HELD A HEARING ON H.R. 303, FOR WHICH I AM GRATEFUL. HOWEVER, GIVEN THE FACT THAT THIS OCCASION MARKED THE FIRST TIME IN WHICH A CONGRESSIONAL COMMITTEE HAD ADDRESSED THIS ISSUE, A MORE IN DEPTH HEARING IS NECESSARY. I CALL UPON THE LEADERSHIP OF THIS SUBCOMMITTEE AND FULL COMMITTEE TO FOLLOW THE WILL OF 209 MEMBERS OF THE HOUSE AND FAVORABLY CONSIDER THIS MERITORIOUS BILL.

ON ONE FINAL NOTE, I URGE THIS SUBCOMMITTEE TO FURTHER EXPLORE THE MERITS OF H.R. 93, WHICH MANY OF THE WITNESSES THIS MORNING WILL DISCUSS. H.R. 93 WOULD PROVIDE THAT THE REMARRIAGE OF THE SURVIVING SPOUSE OF A VETERAN AFTER AGE 55 SHALL NOT RESULT IN THE LOSS OF DEPENDENCY AND INDEMNITY COMPENSATION (DIC). I FEEL THIS CHANGE IS NECESSARY BECAUSE THE CIVIL SERVICE SURVIVOR BENEFIT PLAN, THE MILITARY SURVIVOR BENEFIT PLAN, AND THE SOCIAL SECURITY AND FOREIGN SERVICE ANNUITY PLANS HAVE BEEN AMENDED IN A SIMILAR FASHION.

THANK YOU MR. CHAIRMAN.

STATEMENT OF
JOHN C. BOLLINGER, ASSOCIATE LEGISLATIVE DIRECTOR
PARALYZED VETERANS OF AMERICA
BEFORE THE
SUBCOMMITTEE ON COMPENSATION, PENSION, AND INSURANCE
OF THE
HOUSE COMMITTEE ON VETERANS' AFFAIRS
CONCERNING
H.R. 1334, A BILL TO LIBERALIZE THE PAYMENT OF PENSION TO CERTAIN
HOSPITALIZED VETERANS
H.R. 1335, THE "VETERANS' COMPENSATION AMENDMENTS OF 1989"
AND
H.R. 1336, A BILL TO STANDARDIZE ELIGIBILITY CRITERIA FOR D.I.C. RECIPIENTS
APRIL 5, 1989

Mr. Chairman and Members of the Subcommittee, on behalf of the members of Paralyzed Veterans of America (PVA), I wish to thank you for this opportunity to appear here today and present our views regarding H.R. 1334, H.R. 1335, and H.R. 1336.

H.R. 1334, A Bill to Liberalize Pension Payments to Certain Hospitalized Veterans

Mr. Chairman, last August you introduced legislation which addressed a severe inequity in the nonservice-connected pension program. Your current bill in the 101st Congress, H.R. 1334, properly re-introduces that legislation and provides hope for some of our Nation's most needy veterans. By including H.R. 1334 in your hearing today, you have given this bill the visibility it deserves. We thank you.

As you know, title 38, United States Code, presently requires the DVA to reduce pension benefits for a nonsevice-connected veteran without dependents who has been hospitalized at Government expense for more than three months. These individuals, already close to the poverty line, must presently endure a reduction in monthly pension benefits which limits them to a maximum of $60 per month.

Mr. Chairman, the last thing a long-term hospitalized pension recipient needs is a reduction in income. Coming at a time when the individual is suffering from acute medical problems, the reduction in pension often imposes severe financial hardships for many affected veterans. A veteran's financial obligations do not end by virtue of the fact the Government is temporarily providing room and board. For the most part, these individuals have secured living arrangements either through home ownership, subsidized housing, or rental housing.

A reduction in pension benefits is justifiable when a veteran is placed permanently in a DVA domiciliary, DVA nursing home, or private nursing home at DVA expense. When the DVA is the caretaker and there is no expectation of returning to the community, a reduction in benefits is understandable. For those veterans who are receiving inpatient care on a temporary basis, however, the financial effect of a reduction in pension can be devastating.

As an example of such a case, please consider a spinal cord injured (SCI) veteran in receipt of nonservice-connected pension. A simple injury to the skin of an SCI individual frequently leads to skin breakdown and damage to underlying muscles and bone. It then becomes necessary to replace lost muscle by transplant or graft from an adjacent area. The healing process is slow, often necessitating hospital stays in excess of three months. Unfortunately, skin breakdowns often occur while being hospitalized for unrelated conditions. After a lengthy hospital stay, these individuals are returned to the community without the benefit of their full pension award to pay mounting financial obligations.

Several months ago PVA initiated a survey in an attempt to further define the severity of the pension reduction problem. Our Service Officers from across the country reviewed hospital records of those individuals for whom we have power-of-attorney. The records were reviewed not only to determine the number of PVA members who were affected by the pension reduction in 1987 and 1988, but also to provide insight concerning the complications which resulted from the reduction.
Approximately 150 cases have been reviewed, many of which have already been shared with Committee staff. All of these cases represent severely disabled veterans whose income has, in some cases, been reduced by as much as 93 percent. This large reduction applied to several of our members who had no outside income and were eligible for aid and attendance at the time of reduction.

From Illinois ... PVA Service Officer reports that veteran was reduced from $861 to $60 for two months. He had to borrow money from family and friends in order to pay his home expenses.

From Florida ... Veteran was receiving pension benefits in the amount of $517 per month. He had no other source of income. When his DVA pension was reduced to $60, he could no longer pay the $280 monthly rent on his apartment. After several inquiries by his landlord, the veteran borrowed enough money to keep his apartment but will be unable to repay his debt.

From Michigan ... Veteran was in the DVA Medical Center for a total of five months. His pension was reduced from $456 to $60 after the third month. As a result, he was unable to pay rent and utilities on his apartment.

From Florida ... As a result of the pension reduction, the veteran's mortgage payments lapsed. The veteran's doctor at the DVA Medical Center used his personal funds to repay the mortgage company thus preventing foreclosure proceedings. The veteran would have lost his home had it not been for this intervention.

Mr. Chairman, this is just a small sample of the types of cases in our survey. The DVA estimates that 3500 to 4000 pension recipients per year are affected by the pension reduction. In every case, the DVA is carrying out the provisions of title 38, USC., as written.

The entire scenario is further complicated by a well-known problem which affects all aspects of the Veterans' Benefits Administration's ability to deliver services - increasing backlogs in adjudication workload.

In order to comply with Section 3203 of title 38, USC., the DVA Medical Center must first provide the DVA Regional Office with the appropriate administrative information concerning the veteran's admittance date and length of stay. The Compensation and Pension Service (with a current backlog of cases totalling in excess of 360,000) begins the adjudication process to reduce the veteran's pension award. During this process, the veteran continues to receive his full pension award.

If, for any reason, the Regional Office is unable to process the award and diary the reduction for the appropriate date, the pension must ultimately be adjusted retroactively to reflect the effective date of the reduction. As a result, overpayments are established and debts are recouped by withholding future benefits.

From Indiana ... Veteran was admitted to DVA Medical Center but the Regional Office did not reduce the award until eight months after the veteran's third month of hospitalization. This resulted in an overpayment of $6,042.

From Washington ... An overpayment of $5298. was created when the Regional Office failed to reduce the veteran's pension award after three months. As a result, the veteran had to re-locate from an independent living center to public assistance housing.

The administrative paperwork and man-hours associated with Section 3203 are enormous compared to the benefits not paid due to reduction. In addition to such paperwork, the Veterans Health Services and Research Administration must take on the responsibility of discharging a patient who has lost his apartment. At a time when the Congress has recognized and addressed the issue of homelessness by passing legislation for the care of homeless veterans, it is unconscionable that a DVA Medical Center would ever have to contemplate such action.

Mr. Chairman, H.R. 1334 amends title 38, USC., by removing one important word from Section 3203(a)(1). By distinguishing "hospitalized" veterans from those individuals being cared for on a long term basis in nursing homes and domiciliaries, this legislation would address every problem we have presented before you today.

PVA is encouraged by the fact that Senator Alan Cranston has also introduced legislation (S.13) which addresses the pension reduction. We are hopeful that through the combined efforts of both the House and Senate Veterans' Affairs Committees, legislation will be enacted this Session to resolve the issue.

We are grateful for the introduction of H.R. 1334, Mr. Chairman, and we sincerely appreciate the time and effort put forth by Committee staff to make this initiative a reality.

H.R. 1335, The "Veterans' Compensation Amendments of 1989"

Mr. Chairman, PVA commends you and the many sponsors of this legislation for proposing what we believe to be an equitable cost-of-living adjustment for the recipients of service-connected disability compensation and Dependency and Indemnity Compensation (D.I.C.). The 4.9 percent increase that you have proposed will ensure that veterans, their dependents, and their survivors will be provided for at an appropriate level of maintenance. This important provision, which is to become effective December 1, 1989, is consistent with your efforts of the past to preserve the historical authority of the Congress to determine, by legislation, what constitutes appropriate cost-of-living increases for our Nation's veterans and their families.

In keeping with the intent of Congress, I wish to briefly reiterate PVA's long-standing opposition to the Administration's continued efforts to index compensation and D.I.C. benefits to the annual change in the Consumer Price Index (CPI). We believe the authority to adjust COLA's properly belongs in this legislative body whose members can exercise the flexibility and fairness so vital in determining adequate adjustments to compensation and D.I.C.

There are many special factors that affect the financial needs of a disabled veteran that go beyond the formula upon which the CPI is based. This is especially true of severely disabled veterans whose loss of earning power is only part of the total equation. This Subcommittee understands how changing economic climates, diminished medical services, deficit reduction initiatives, and decreased benefit delivery services affect a disabled individual both directly and indirectly. The Consumer Price Index, obviously, does not understand such interactions.

Your dedication, therefore, to the 2.2 million veterans who suffer from service-connected disabilities deserves the highest gratitude from all Americans. On behalf of those veterans who find themselves beneficiaries of disability compensation and on behalf of the more than 300 thousand survivors who are recipients of D.I.C., we thank you.

H.R. 1336, Eligibility Criteria for Certain D.I.C. Beneficiaries

Title 38, United States Code, presently states that D.I.C. payments will be authorized for surviving spouses of veterans who died as a result of nonservice-connected disabilities but were rated totally disabled for their service-connected disabilities at time of death. The veteran must have been rated totally disabled for a period of ten years, or not less than five years if rated from the date of discharge from military service.

In order to qualify under this provision, the surviving spouse must have been married to the veteran for at least two years. H.R. 1336 would properly reduce from two years to one year the period of time that a surviving spouse must have been married to a veteran in order to be eligible to receive D.I.C. payments.

PVA is pleased to support H.R. 1336. We believe it will correctly standardize the eligibility criteria for the survivors of totally disabled service-connected veterans.

Mr. Chairman, while on the subject of D.I.C., I wish to take this opportunity to reiterate PVA's position concerning the formula on which the rate structure for D.I.C. benefits is based. As in previous years, we come before you today to voice our discontent over the current law which dictates that D.I.C. widows receive benefits based on the military pay grade of the deceased veteran instead of drawing benefits based on the percentage of the veteran's service-connected disability.

Our contentions, frankly, are not new and the premise of our argument remains the same. We cannot, however, in good conscience, lessen the degree of determination with which we have pursued D.I.C. reform over the years.

The Department of Veterans Affairs clearly states the major objective of the D.I.C. program is "to provide benefits to the spouses and dependents of veterans whose deaths were due to service, or as a result of service-connected disabilities, to make up for the loss of family income". In fact, D.I.C. benefits make up for only 14 percent of the loss in family income for the widows of certain severely disabled veterans.

These D.I.C. rates must, in some fashion, correspond to the degree of a veteran's disability, not to his or her military pay grade. Such an approach to D.I.C. reform is, we believe, the only true method by which equitable death benefits can be afforded the survivors of severely disabled veterans.

In addition to the significant and sudden reduction in family income, another example of the inequity of the current D.I.C. law can be demonstrated by considering the hypothetical cases of two veterans equally rated at 100 percent with the maximum Special Monthly Compensation. For comparison purposes, these two veterans both served in the U.S. Armed Forces for two years during World War II and were retired in 1946 due to their service-connected disabilities. Over the course of the next 43 years, they received identical compensation from the Veterans Administration. Their families lived reasonably similar lifestyles and shared a special familiarity with the inevitable challenges facing them on a daily basis.

Both widows became eligible for D.I.C. benefits when their husbands died. When the first benefit checks arrived, however, one widow received $570 while the other received $700 - simply because forty-three years earlier one veteran had been retired as an E-3 while the other had been retired as an O-2. Mr. Chairman, this is not right. Coupled with the devastating reduction in family income at the time of the veteran's death, widows must endure this additional inequity due to the fact that military pay grades, long since forgotten, now dictate the manner in which a new widow will approach the rest of her life.

PVA proposes that the formula for computing a surviving spouses's D.I.C. rate be established at 75 percent of the deceased veteran's compensation benefit, excluding the portion paid for the veteran's aid and attendance. We encourage this Subcommittee to address this issue - the survivors of catastrophically disabled service-connected veterans deserve your attention in this matter.

Mr. Chairman, that concludes my testimony. PVA thanks you for conducting this hearing and for your continued dedication to these programs. I will be happy to answer any questions you may have.

THE
RETIRED
OFFICERS
ASSOCIATION

201 North Washington Street
Alexandria, Virginia 22314-2529
(703) 549-2311

STATEMENT OF

THE RETIRED OFFICERS ASSOCIATION

before the

HOUSE COMMITTE ON VETERAN'S AFFAIRS

SUBCOMMITTEE ON COMPENSATION, PENSION AND INSURANCE

Presented by

Commander John F. Wanamaker, USN, Retired
Deputy Director of Legislative Affairs
The Retired Officers Association (TROA)

April 5, 1989

MR. CHAIRMAN AND MEMBERS OF THE COMMITTEE:

I am Commander John Wanamaker, USN Retired, Deputy Director of Legislative Affairs for the Retired Officers Association (TROA) which has its national headquarters at 201 North Washington Street, Alexandria, Virginia. Our association has a membership of more than 359,000 active duty, retired and reserve officers of the seven uniformed services. Included in our membership are approximately 50,000 Auxiliary members who are survivors of former members.

My purpose today is to support the passage of H.R. 1335 which would effect a 4.9 percent adjustment increase to annuities provided by the Veterans Affairs Department for disability compensation. H.R. 1335 would also authorize increases to the Dependency and Indemnity Compensation (DIC) annuities provided to survivors of veterans who died of service connected disabilities. From the most recent indications there exists a tightness in the labor market (unemployment rate down) which would normally result in an increase in wages. Also, since there is a close parallel between wages and consumer prices, it would appear that the 4.9 percent increase as proposed in H.R. 1335 is more accurate than the 3.6 percent increase which had been recommended in the administration's budget request.

I wish to bring to the committee members' attention that no matter what the percentage increase you finally agreed upon, should the cost of living adjustments plans proposed by the administration's budget be approved thousands of disabled veterans will fail to receive an increase in their net income this year because of the offset requirements of Section 3104(a)(1) Title 38 U.S.C. Our association strongly urges this committee to act favorably on H.R. 303. The compensation of thousands of disabled veterans is effected by the outcome. Maybe this committee can arrange a joint session with the Armed Services Committee to expedite this important issue.

Mr. Chairman, there are three issues related to the Dependency and Indemnity Compensation program that require corrective legislation and which are not addressed in H.R. 1335.

THE INDEMNITY CONCEPT OF DIC

The Servicemans Group Life Insurance (SGLI) is intended to compliment the indemnity aspects of the DIC program. Under the SGLI program a servicemember is permitted to purchase up to $50,000 of low cost term life insurance. In short, that $50,000 maximum coverage is totally inadequate to meet the insurance needs of many servicemembers who sacrifice higher civilian incomes to serve in the military. Medical professionals, nuclear engineers and aviators are but a few examples where the insurance inadequacies are readily apparent. Each of these cited fields are currently experiencing recruiting and retention shortages because the services cannot compete with the private sector. Raising that $50,000 limit to at least $100,000, would not in itself solve these personnel problems. However, it would alleviate some of the anxiety servicemembers have in providing for their survivors in the event of their death. Our membership would strongly recommend that an additional $50,000 optional coverage be provided active duty members to fill some of the shortfalls in of indemnity compensation.

THE COMPENSATION CONCEPT OF DIC

DIC was established to replace the lost earnings of a family due to a servicemember's death. The current program is structured in a mannner whereby different annuities are paid to survivors based on the members rank at time of death. The DIC compensation for lost wages varies between 43 percent for a junior enlisted man (E-1) and 21 percent for a senior enlisted (E-9). A similar disparity exists in the officer categories when the DIC compensation for lost wages for a junior officer (O-1) is approximately 33 percent, while for a senior officer (0-8) the replacement is only 15 percent. These percentages are based on replacement of Basic Military Compensation (BMC). My point Mr. Chairman, is that 15 to 21 percent is totally inadequate compensation for lost wages in these instances.

DIC TERMINATION UPON REMARRIAGE

The third issue relates to the termination of DIC benefits for widows upon remarriage at any age. Most other federal survivor benefit programs authorize the retention in those benefits should the widow remarry after age 55. This committee has before it for consideration H.R. 93 which would authorize a beneficiary to retain DIC benefits should they remarry after age 55. Our members respectfully request that the committee consider favorably H.R. 93 and incorporate those provisions in the V.A. compensation authorization bill.

The committee also has before it legislation (H.R. 1336) which would change the period of marriage from 2 years to 1 year to establish eligibility for Dependency and Indemnity Compensation (DIC). Our members would urge favorable consideration of H.R. 1336.

Mr. Chairman, we have been further requested to provide comments on H.R. 1334, a measure to remove the limitation on the payment of pensions to veterans who are hospitalized in VA facilities for an extended period of time. We have not received any complaints from our members on this issue, however, there exists the probability that a veteran in receipt of VA pension will return to his home after long hospitalization. During that hospital stay the veteran would be required to continue to pay his rent or house payment, utilities and insurance even if he were hospitalized for an extended period. Under such circumstances, without some controls or safeguards for the veterans' interests, we urge the committee to make the pension payments.

This completes my statement, and I will attempt to answer any questions the members may have. Thank you.

STATEMENT OF
FRANK A. ATHANASON, NATIONAL COMMANDER
MILITARY ORDER OF THE PURPLE HEART
ON H.R. 1334, 1335, AND 1336
BEFORE THE
HOUSE COMMITTEE ON VETERANS' AFFAIRS
SUBCOMMITTEE ON COMPENSATION, PENSION AND INSURANCE
UNITED STATES HOUSE OF REPRESENTATIVES
APRIL 5, 1989

H.R. 1334, 1335, AND 1336

The Military Order of the Purple Heart is honored to have the opportunity to submit our legislative views on H.R. 1334, 1335, and 1336.

Congressman Applegate is to be commended for his introduction of H.R. 1334 which removes the limitation relating to the payment of pension to single veterans furnished hospital care by the Veterans Administration.

For many years this reduction has caused hardships for single veterans in two main areas. One, the loss of their apartments due to their loss of income and the loss of personal possessions. The present reduction in pension benefits cause a catch 22 situation by reducing the veterans income he is unable to pay his rent, this in turn causes the landlord to confiscate the veteran's personal possessions until the back rent is paid or to sell off his possessions to recover the back rent.

Then, when the veteran is released from the hospital he has no money, no apartment and no possessions, and usually with no one to turn to. He is on the first step to becoming a street person. In most cases, he still needs a convalesence period, with special care because of the hospitalization, but the system defeats him by adding to his anxiety, fears and frustration.

I would like to cite a class example of how this system works and fails under the current regulations. Upon admission to a VA hospital, an admission report is forwarded to the VA Regional Office. The veteran's claim folder is pulled and forwarded to the appropriate adjudicator, who upon noting that the veteran is single and on pension immediately enters the data to reduce the veteran's pension on the end of the third full month of admission. The computer then will reduce the veteran's pension on the appropriate date. This procedure has in most instances taken 5 to 6 weeks. To cancel the reduction in benefits the VA hospital must submit a notice of discharge to the VA Regional Office and the above procedure is followed again.

Now, if the veteran left the hospital on the last day of the third month his normal pension check arrives on time and he thinks everything is alright. However, he is sadly mistaken because his next check won't be there and by the time he realizes this, he has lost his apartment and possibly his personal possessions.

This points to a fact that many veterans have their benefits reduced erroneously and after the claim is reprocessed and their entitlement is restored, but it's too late because they have lost their apartment and/or belongings.

This proposal would not only alleviate the problems of this group; but, also, the problems of the veterans hospitalized for longer periods. It would also reduce a substantial workload of the various VA Regional Offices. The present system requires that each pension case in this category be handled twice. Additionally, this would prevent creating another homeless veteran.

LEGISLATIVE STATEMENT BEFORE THE HOUSE COMMITTEE ON VETERANS AFFAIRS SUBCOMMITTEE ON COMPENSATION, PENSION AND INSURANCE

AS SUBMITTED BY
DAVID M. SZUMOWSKI, NATIONAL PRESIDENT, BLINDED VETERANS ASSOCIATION
APRIL 5, 1989

Mr. Chairman and members of the Subcommittee, The Blinded Veterans Association (BVA) as always, appreciates the opportunity to appear this morning to present our views and comments on proposed legislation to amend Title 38 U.S. Code to remove restrictions on the payment of non-service connected (NSC) pension to hospitalized veterans, to increase compensation and DIC benefits, and to reduce the length of time a surviving spouse had to have been married to a service connected (SC) veteran in order to be eligible for DIC payments. The BVA would like to commend the Chairman and members of this distinguished Subcommittee for your sensitivity and commitment to our nation's disabled veterans and their families.

H.R. 1334

The BVA strongly supports the proposed amendment to Title 38, Section 3202 (1)(1), subparagraphs (B) and (D). As you may recall, the BVA actively worked to secure the chang in theis Section of Title 38 that resulted in subparagraph (D). We did so because the law as it existed prior to the addition of subparagraph (D), served as a strong deterrent to single NSC veterans fron entering blind rehabilitation training programs for fear of having their pensions reduced, resulting in severe financial hardship. The passage of that provision has been extremely beneficial for that population of severely disabled veterans and we feel the same principles and arguments should be applied for any single NSC veteran who is in need of lengthy hospitalization, even thouth they may not be enrolled in a prescribed rehabilitation program.

We believe this section of the law discriminates against single veterans with NSV conditions and implies that because of their single status, they do not have ongoing financial obligations similar to those of married veterans, such as rent or mortgage payments for housing, car payments or other equally important financial responsibilities.

Single veterans indeed have similar obligations that do not cease upon admission to a hospital, nor do they receive any special dispensation from lending agencies or other service providers with whom the veteran has entered into some financial arrangements. The current restriction in the law limiting the length of a hospital stay a veteran can experience before his pension is reduced, only serves to create social and financial hardship for that individual. In fact, the restriction may create more problems than it solves for the government. By reducing the pension, this increases the likelihood that the veteran could lose his housing or other vital services and then have to turn to the DVA or other federal agencies for assistance. The savings that may have been realized for the government by reducing the pension, are then lost by providing these other services to undo the problems created by the reduction in the first place. The variety of social problems resulting from such action does not benefit the veteran or the government. The other danger of having such limitations imposed on the receipt of full pension, is being discharged early from the hospital either by a regular discharge because a physician is sympathetic to the veteran's situation, or by the vet requesting an irregular discharge or what used to be called "Against Medical Advice". In either case, the vet may not have concluded the prescribed treatment and could endanger his recovery or precipitate a relapse, necessitating another hospitalization. This certainly is not cost effective in terms of delivery of health care, nor good medical practive. All too often the revolving door syndrome occurs regarding treatment just to try and protect pension payments. With the crisis currently being faced by the DVA health care delivery system, this kind of policy only serves to aggravate an already very difficult situation.

Mr. Chairman, as we reviewed the proposed changes in H.R. 1334, we question the need for the change in subparagraph (D) of Section 3203. With the change in subparagraph (B), it would appear that subparagraph (D) is no longer necessary. Also removal of the word hospital from subparagraph (D) does not make much sense, in that veterans in nursing homes are not normally enrolled in presceibed programs of rehabilitation.

We feel exploration with the Health Services and Research Administration on this aspect of the law is advisable before we would feel comfortable with repealing subparagraph (D). Just in case, there might be some situation that would not be covered by subparagraph (B) as amended.

H.R. 1335

The BVA strongly supports passage of H.R. 1335 which would amend Titl 38 U.S. Code to provide a 4.9percent cost of living adjustment (COLA) to compensation paid to SC disabled veterans and recipients of DIC benefits. We have testified many times in the past to the special needs of severely disabled veterans and how they often are required to purchase assistance to accomplish activities of daily living taken for granted by most people. Often the cost of these special services increase more than the inflation rate and can cause some financial hardship for the individual veteran. Consequently, BVA has always supported the enactment of a full COLA for this group of severely disabled veterans and/or their surviving spouses or dependent children.

Further, we believe the 4.9 percent COLA proposed in this legislation is much more realistic in light of recent increases in the Consumer Price Index (CPI) as projected out over the year. If these projections are correct, the 3.6 percent proposed in the administration's budget falls far short of the anticipated CPI at the end of the year.

H.R. 1336

As we did last Congress, BVA supported enactment of H.R. 1336, a Bill which would reduce from two years to one, the length of time a spouse would have to be married to an SC veteran in order to be eligible for Dependency and Indemnity Compensation (DIC). We believe this criteria should be consistent with eligibility for other benefits. It seemed unreasonable to us the marriage requirement should be different for DIC benefits.

For a number of years now, the BVA has had great interest in the DIC program and the need for improvements. In previous hearings, we have supported reform of the method for computing DIC benefits and specifically our proposal recommends changing the DIC rate for a surviving spouse of a veteran receiving special monthly compensation (SMC) or 100% compensation to 50% of the SMC or compensation awarded to the deceased veteran plus dependency allowance. This would eliminate hardship caused by the current law.

However, the BVA recognizes adoption of this proposal might be unfair to the survivors of those killed on active duty or shortly thereafter. Therefore, the BVA recommends that a dual system be instituted and survivors given the option to choose between the two systems. The DVA administers three pension programs, so it should also be able to administer a dual DIC program (See Attachment A)

Mr. Chairman, this year we have recommended enactment of legislation that would provide for the continuation of an eligible veteran's SC compensation for a period of one year subsequent to his death (See Attachment B)

BVA feels this is a very reasonable benefit that would not be cost prohibitive. We are hopeful of gaining the support of the other major veterans organizations for this proposal and have been advised by DVA, Veterans Benefits Administration (VBA) that this proposal could be costed out without much difficulty. We not only urge the support of other veterans organizations, buy this Committee as well, for this proposal. We believe it would be extremely beneficial in assisting the surviving spouse at a time when need is greatest. We do want to emphasize however, this proposal does in no way obviate the need for reform of the DIC program, but only serves to enable the spouse while attempting to make the appropriate adjustments in life style necessitated by the death of the veteran.

CONCLUSION

Again, Mr. Chairman, BVA is most grateful for this opportunity to present our views on this important legislation and as always is prepared to work with this subcommittee in any way possible to improve the lives of our nation's disabled veterans.

ATTACHMENT A

BLINDED VETERANS ASSOCIATION
477 H STREET, NORTHWEST • WASHINGTON D.C. 20001 • (202) 371-8880

RESOLUTION 26/88

WHEREAS, the death of a spouse is a traumatic emotional experience evoking a deep sense of loss and grief, AND

WHEREAS, acceptance of, and adjustment to, this loss may take long periods of time, AND

WHEREAS, the surviving spouse incurs large and unexpected expenses associated with the death of a spouse, AND

WHEREAS, upon the death of a 100% service-connected veterana, VA compensation is terminated, AND

WHEREAS, the surviving spouse must wait several months, or more, before DIC benefit payments begin, AND

WHEREAS, DIC benefits are substantially smaller than service-connected compensation, AND

WHEREAS, the surviving spouse needs sufficient time to adjust to the loss of the spouse and to resolve financial liabilities and to prepare for a life style based upon a significantly smaller income, THEREFORE BE IT

RESOLVED, that the Blinded Veterans Association in convention assembled this 13th day of August, 1988 in San Diego, California, encourages the U. S. Congress to emend Title 38, U. S. Code to provide for continues payment of service-connected compensation to the surviving spouse for a period of one year following the veteran's death.

CHARTERED BY THE CONGRESS OF THE UNITED STATES

ATTACHMENT B

BLINDED VETERANS ASSOCIATION
477 H STREET, NORTHWEST • WASHINGTON D.C. 20001 • (202) 371-8880

RESOLUTION 7/88

WHEREAS, all totally and permanently disabled veterams receive like compensation for their like disabilities, AND

WHEREAS, there is no discrimination as to the rank or grade of the veterans while in the Armed Forces, AND

WHEREAS, D.I.C. rates are determined by the highest rank or grade held in the Armed Forces, which are discriminatory. It is unfair, that a surviving spouse of a blinded Captain should receive a higher rate of D.I.C. than the surviving spouse of a blinded Corporal, yet while they lived the veterans were equally compensated for their blindness. NOW THEREFORE BE IT

RESOLVED, that the members of the Blinded Veterans Association in convention in San Diego, California on August 13, 1988 do urge amending Title 38, U.S.C. by changing the D.I.C. rate for a surviving spouse of a veteran receiving 100% compensation, or receiving SMC, to 50% of the compensation paid to the deceased veteran plus dependency allowance, thereby eliminating any discrimination contained in the present law.

NATIONAL ASSOCIATION of MILITARY WIDOWS
4023 — 25th ROAD NORTH
ARLINGTON, VIRGINIA 22207

STATEMENT OF JEAN ARTHURS

LEGISLATIVE DIRECTOR

OF THE

NATIONAL ASSOCIATION OF MILITARY WIDOWS

BEFORE THE

SUBCOMMITTEE ON COMPENSATION, PENSION AND INSURANCE

COMMITTEE ON VETERANS AFFAIRS

UNITED STATES HOUSE OF REPRESENTATIVES

April 5, 1989

The Secretary of the Army stated: "When the government contracts for the serviceman, it really contracts for the entire family unit as it included all of the family in the adjusted lifestyle, the 24-hour call, the 'perils and discomforts' (with readiness to serve anywhere, to go to hazardous places at a moment's notice."

To care for him who has borne the battle, and his widow and his orphan.

A. Lincoln

Mr. Chairman:

I am Jean Arthurs, Legislative Director of the National Association of Military Widows. Our association is a volunteer, military widows organization and our membership represents all rates and ranks of the career and non-career service widows of the seven uniformed services, Regular and Reserve. We thank you for allowing us to present our testimony today.

Our group is in support of H.R. 1335 which provides a 4.9 percent cost-of-living increase for the recipients of dependency and indemnity compensation. The Veterans Administration study of 1978 stated that the average military widow receiving DIC benefits was over 60 years of age. Thus, ten years later will find the average in the age 70 category, and diminishing in numbers. For many of the widows, DIC is their only means of support.

We support H.R. 1336 which reduces from two years to one year the period of time that surviving spouse must have been married to a veteran who dies while in receipt of compensation for a service-connected disability in order for the surviving spouse to be eligible for dependency and indemnity compensation.

The following bills have been introduced in support of allowing the DIC widow to remarry and retain the dependency and indemnity compensation.

H.R. 475 - Bilirakis - allows remarriage after age 55 with retention of the DIC annuity.

H.R. 337 - Hammerschmidt - allows remarriage after age 60 with retention of DIC annuity.

H.R. 93 - Roe - allows remarriage after age 60 with retention of DIC annuity.

S. 505 - Stevens - allows remarriage after age 55 with retention of DIC annuity.

The support is growing within Congress for the correction of this oversight regarding remarriage for the DIC widow. Also, we have canvassed the military service groups including COMO and have found the majority in accord with correcting the remarriage issue for DIC widows. No society can be just if it forces its aged to grovel.

DEPENDENCY AND INDEMNITY COMPENSATION (DIC)

Dependency and Indemnity Compensation is the benefit accorded survivors whose sponsor died on active duty or of a service connected cause.

DIC is unique in two classifications. It is the only Federal benefit program in which the longer the sponsor served and the higher in rate or rank he attained, the less in proportion the survivor receives. Also, DIC is the only Federal annuity program that does not allow the recipient remarriage after age 55 to retain the annuity. From the moral standpoint, this requirement seems to give assent to "living together" without marriage.

H.R. 93 (Roe - N.J.) and H.R. 337 (Hammerschmidt - ARK) and H.R. 475 (Bilirakis - Fla.) would allow the DIC widow to remarry after age 55, or age 60, and retain the DIC compensation. The former is in keeping with the current status of the other Federal Survivor Benefit plans. Social Security, Civil Service, Foreign Service, the Military SBP and RSFPP annuity plans allow the widow to retain the entitlement or pension when she remarries after age 55. It is a matter of treating federal widows equitably.

It is difficult to believe that only the DIC widows who have suffered the tragedy of the circumstances of the unfortunate active duty death, should be singled out with this obvious oversight.

As women age, very few have the opportunity to remarry in later years. In this day of high cost catastrophic illness and lingering death, it would be a consolation, as well as cost effective for the Government, if the widowed singles could afford to remarry and care for one another in sickness and old age. For many elderly who live on only Social Security, retaining the DIC benefit could make the difference in better home care as opposed to institutional care.

If the Federal commitment is to be fair and equitable, consideration must be given to equalizing the Military, civil service and foreign service widow compensation when a comparable active duty death is involved. Comparable worth is of the essence today, and a worthy area to study it is within the Federal government widows' compensation programs. A substantial difference in death compensation exists at every pay level between the DIC and FECA programs. Why does the DIC widow receive less compensation than the foreign service widow when deaths are comparable? The Military are paid and administered by the Department of Defense, a federal agency, therefore, they are federal employees in every sense of the definition of Federal. Federal agencies - Civil Service, Foreign Service, and the Military all share the same paymaster, the United States Treasury.

The employees Retirement Income Security Act (ERISA) and the Federal Civil Service Survivors' Program provide better survivors compensation than the DIC program. The benefit levels of the Dependency and Indemnity Compensation Program do not adequately replace the income losses of servicemen who have died while on active duty or who were retired in disability.

In the past, there have been requests for the Veteran's Administration to make comparison studies of the DIC and other related federal compensation/annuity programs. Again, since they have the same federal paymaster, we feel these programs should be fair and equitable.

There are a certain group of Military widows who receive dependency and indemnity compensation (DIC) who are not entitled to care at uniformed services medical facilities. Under Section 6113, Title 38, they are eligible for care and prescriptions at Veteran's medical facilities. At the present time this section of the Statute is not known or not recognized at Veterans hospitals. It is a sad day when a DIC widow, living in poverty, is refused medical prescriptions from a nearby Veterans hospital when it is her entitlement. Surely immediate action can be taken to rectify this oversight.

Also, on October 1, 1980, an amendment to S.91 passed which awarded the SBP benefits to widows who husbands were eligible to retire but who died on active duty before September 21, 1972. There has been no action taken to inform and officially notify the eligible DIC widows. Eight years later our Association is constantly finding these DIC widow who have not been properly apprised of the SBP benefits accorded the. The simple procedure of advising the Veterans Administration to insert a flyer in the eligible recipients DIC checks would provide a fair solution to this oversight.

Thank you for allowing me to testify. I will be glad to answer any questions.

Respectfully submitted,

Jean Arthurs

Statement of

The American Legion

1608 K STREET, N. W.
WASHINGTON, D. C. 20006

by

SAMUEL J. WALSH, ASSISTANT DIRECTOR
NATIONAL LEGISLATIVE COMMISSION
THE AMERICAN LEGION

and

PHILIP R. WILKERSON, ASSISTANT DIRECTOR
NATIONAL VETERANS AFFAIRS AND REHABILITATION COMMISSION
THE AMERICAN LEGION

before the

SUBCOMMITTEE ON COMPENSATION, PENSION AND INSURANCE
COMMITTEE ON VETERANS AFFAIRS
U.S. HOUSE OF REPRESENTATIVES

on

DISABILITY, DIC, AND PENSION BENEFITS

APRIL 5, 1989

STATEMENT OF PHILIP R. WILKERSON, ASSISTANT DIRECTOR
NATIONAL VETERANS AFFAIRS AND REHABILITATION COMMISSION
THE AMERICAN LEGION
BEFORE THE SUBCOMMITTEE ON COMPENSATION, PENSION AND INSURANCE
COMMITTEE ON VETERANS AFFAIRS
UNITED STATES HOUSE OF REPRESENTATIVES
APRIL 5, 1989

Mr. Chairman and Members of the Subcommittee:

The American Legion is appreciative of this opportunity to share its views with you on legislation providing improvements in benefits payable by the Department of Veterans Affairs to veterans who are disabled as a result of service to this nation and to the survivors of those veterans who were killed in service or died as a result of their service-connected disabilities, and to certain veterans in receipt of nonservice-connected disability pension benefits.

H.R. 1335 - the "Veterans Compensation Amendments of 1989" would increase by 4.9 percent the monthly rates of disability compensation for service-connected disabled veterans, and a series of related benefits as described below. These proposed amendments are to become effective December 1, 1989.

The bill would also allow the Secretary of Veterans Affairs to adjust administratively, consistent with the above mentioned increase, the rates of disability compensation payable to persons within the purview of section 10 of Public Law 85-857, who are not in receipt of compensation pursuant to Chapter 11 of title 38, USC.

Section 314 of title 38, United States Code, currently provides for payment of compensation in amounts ranging from $73 to $1,468 monthly to those veterans with service-connected disabilities rated from ten percent to one hundred percent or totally disabling. Higher rates of special monthly compensation are payable for certain multiple disabilities evaluated in excess of one hundred percent.

Additional monthly compensation for dependents is currently provided under section 315 of the title for the spouses, children and dependent parents of those veterans entitled to disability compensation and whose service-connected disabilities are rated not less than thirty percent disabling.

An annual clothing allowance of $395 is authorized under section 362 of the title to each veteran who, because of a compensable service-connected disability, wears or uses a prosthesis or orthopedic appliance or appliances which the Secretary determines to wear out or tear the clothing of such veteran.

Dependency and indemnity compensation is payable under section 411(a) of the title for the surviving spouse of a veteran killed in service or who dies of a service-connected disability. Monthly benefits are based upon the military pay grade of the individual upon whose service-connected death entitlement is attributed. These pay grades range from E-1 through 0-10, and the current monthly benefits under the DIC program range from $565 to $1,448. Subsection (b) provides that where there is an eligible child or children of the veteran, these rates are to be increased by $65 for each child. Subsections (c) and (d) relate to additional monthly benefits for surviving spouses who are determined to be in need of aid and attendance or housebound benefits. The current monthly rates are $161 and $79 respectively.

Sections 413 and 414 of the title provide for specific payments for the children of the veteran under certain circumstances. Wherever there is no surviving spouse of a deceased veteran entitled to DIC, such benefits shall be paid in equal shares at the current monthly rate of: one child $271; for two children $391; for three children $505; and for three or more children, $505, plus $100 for each child in excess of three. In the case of a child entitled to DIC who has attained the age of eighteen and who, while under such age, became permanently incapable of self-support, the current monthly rate shall be increased by $161. In the case of a surviving spouse entitled to DIC where there is a child who has attained the age of eighteen and who, while under such age, became permanently incapable of self-support, the current monthly rate shall be increased by $271. In the case of a surviving spouse entitled to DIC where there is a child who has attained the age of eighteen and who, while under the age of twenty-three, is pursuing a course of instruction at an approved educational institution, DIC benefits shall be paid to each such child monthly, concurrently with the payment of DIC benefits to the surviving spouse, in the amount of $138.

Mr. Chairman, we wish to commend you for holding this timely hearing to consider legislation providing for cost-of-living adjustments in both disability compensation and dependency and indemnity compensation benefits. The latest increase in these rates was provided under PL 100-687, effective December 1,1988. The American Legion is strongly supportive of annual adjustments in service-connected disability and survivors' death benefits to allow those entitled to such benefits to keep pace with increasing costs of goods and services.

The Delegates to the 1988 National Convention of The American Legion adopted Resolutions No. 233 (IN) and 279 (IA) placing the Legion in support of legislation to provide cost-of-living adjustments (COLAs) in the rates of disability compensation and DIC. We believe the COLAs should be at least consistent with the increases in the Consumer Price Index (CPI). Based upon available information, the rate of inflation for 1989 should be in excess of 4 percent.

H.R. 1334 would amend section 3203 of title 38, United States Code, so as to remove the limitation on the payment of nonservice-connected pension benefits to veterans having neither spouse nor child who are furnished hospital care by the Department of Veterans Affairs in excess of three months.

Currently under section 3203, no pension benefits in excess of $60 per month may be paid to a veteran who has neither spouse nor child and who is hospitalized by the VA for any period after the end of the third calendar month following the month of admission for such care.

This automatic reduction of the amount of pension a hospitalized veteran may receive imposes a severe and unnecessary financial hardship. The mere fact that they are ill and require hospitalization for an extended period does not materially lessen their need to meet ongoing financial obligations such as rent or mortgage payments, utilities, insurance, etc. Upon completion of treatment, they should be able to return to their domicile and resume their lives. The current limitation may jeopardize the financial stability of a hospitalized veteran and to some degree represent a disincentive to seeking needed medical care which might involve hospitalization beyond three months. The American Legion, therefore, would support the removal of the limitation on pension benefits to hospitalized veterans.

H.R. 1336 would amend section 418(c)(1) of title 38 to reduce from two years to one year the period of time that a surviving spouse must have been married to the veteran in order to be eligible to receive dependency and indemnity compensation benefits, effective October 1, 1989. The American Legion would pose no objection to this change.

Mr. Chairman, that concludes our Statement.

NATIONAL ASSOCIATION FOR UNIFORMED SERVICES
SOCIETY OF MILITARY WIDOWS
5535 HEMPSTEAD WAY
SPRINGFIELD, VIRGINIA 22151-4094

"The Servicemember's Voice in Government"
Established 1968

Mr. Chairman and members of the Subcommittee, I welcome the opportunity to present the views of the National Association for Uniformed Services and the Society of Military Widows to this distinguished panel.

The National Association for Uniformed Services (NAUS) is unique in that we represent all grades and ranks of uniformed services personnel and their spouses and widow(ers). Our membership includes active, retired, and reserve personnel of all seven uniformed services: Army, Navy, Air Force, Marines, Coast Guard, Public Health Service, and the National Oceanic and Atmospheric Administration. With such a membership, we are able to draw information from a broad base for our legislative activities.

H.R.1335. This bill would provide a 4.9 percent increase in veterans' service connected disability compensation, survivor's Disability and Indemnity Compensation (DIC) and would adjust other compensation rates. NAUS fully supports this increase.
Unfortunately, the current Administration budget would freeze all cost-of-living adjustments for veterans receiving retired pay and for their widows who receive Survivor Benefit Plan (SBP) payments. The freeze would take effect January 1, 1990, for one year. Each year thereafter, annual adjustments would be reduced one percent below the inflation rate.

Since current law requires a dollar-for-dollar reduction in retired pay and SBP for VA compensation payments, the retired veteran and the military widow receive no increase. Thus, they are deprived of the intended benefit.

It would be helpful if H.R.1335 included a provision which would prohibit any offsetting reductions being made when such reductions would have the effect of nullifying proposed increases.

H.R.1336 This bill would reduce the required period of marriage for widows eligibility for Dependency and Indemnity Compensation from two years to one year. NAUS supports this change. Another needed change to the DIC program would allow the remarriage of a surviving spouse of a veteran after age 55 without termination of DIC. Currently, the Civil Service, Foreign Service, and military Survivor Benefit Plan surviving spouses may remarry after age 55 without losing eligibility for the benefit; the same condition should apply to DIC widows.

A more equitable and helpful means of providing support for DIC recipients could also be provided by changing the method for computing the payment. The current method considers only the military pay grade for calculating the amount of compensation. NAUS supports the proposal that primary compensation of a fixed and minimum amount be payable to all DIC widows based on the veterans pay grade. This base amount could, however, then be adjusted with consideration given to length of service as well as condition or circumstance leading to cause of death.

Veterans Hospitalization

H.R.1334. Under current law, pensions are automatically reduced for veterans without dependents who are hospitalized for 60 days or more. As a result, many hospitalized veterans are unable to meet their monthly rental or lease payments, and thus, are evicted, losing their homes and personal possessions. H.R.1334 would eliminate this automatic reduction in pension benefits. NAUS strongly supports this legislation.

NAUS appreciates the opportunity to present its views on these subjects and the interest displayed by this committee on matters of importance to this nation's veterans.

I am prepared to respond to questions.

STATEMENT OF
JOHN F. HEILMAN
NATIONAL LEGISLATIVE DIRECTOR
DISABLED AMERICAN VETERANS
BEFORE THE
SUBCOMMITTEE ON COMPENSATION, PENSION AND INSURANCE
OF THE
COMMITTEE ON VETERANS AFFAIRS
U.S. HOUSE OF REPRESENTATIVES
April 5, 1989

MR. CHAIRMAN AND MEMBERS OF THE SUBCOMMITTEE:

On behalf of the 1.2 million members of the Disabled American Veterans and its Ladies' Auxiliary, may I say that we deeply appreciate being given this opportunity to present our views on legislation relating to the service-connected disability and death compensation programs administered by the Department of Veterans Affairs.

Mr. Chairman, the DAV values, most highly, the advocacy that you have always demonstrated toward the service-connected entitlements of our nation's veterans. And I want to thank you and Ranking Minority Member Mr. McEwen for your timely decision to evaluate the benefit levels of these most important programs.

H.R. 1335

Mr. Chairman, the provisions of H.R. 1335, introduced by yourself, Mr. McEwen, all members of the Subcommittee and full Committee Chairman and Ranking Minority Member Mr. Montgomery and Mr. Stump, would authorize a 4.9% across-the-board increase in basic service-connected disability and death compensation (DIC) benefit rates.

This same percentage rate of increase would also be extended to the dependency allowances and, with one exception, to the special statutory awards and ratings that apply to the compensation and DIC programs, as well as to the VA's annual clothing allowance payable to certain service-connected veterans whose prosthetic or orthopedic devices cause unusual damage to clothing.

The proposed increases carry an effective date of December 1, 1989, and, according to Congressional Budget Office (CBO) estimates, would require $412 million in Budget Outlays during Fiscal Year 1990.

To put it in more meaningful terms, Mr. Chairman, the benefit increases would range from a modest $36 per year ($3.00 monthly) for a veteran with a 10% service-connected disability to $852 per year ($71 monthly) for a veteran who is determined to be 100% totally and permanently disabled due to service-connected causes.

Mr. Chairman, in consideration of an increase in DVA disability and death compensation benefits, it is important to recall the principle upon which these programs were established:

> Disability compensation paid to veterans attempts to represent, to the most practical degree possible, the average impairment in earning capacity caused by a service-connected disability. DIC benefits, on the other hand, are intended to provide a measure of financial security to surviving spouses and children of veterans whose deaths are attributable to a service-connected disability.

Mr. Chairman, the DAV was supportive of this change of law and you may recall that in our testimony before this Subcommittee, we urged that the length of marriage criteria then contained in Section 410(b) be modified to conform identically with that which applies to DIC awards rendered under Section 404, Title 38, U.S. Code.

This criteria presently defines a surviving spouse as one:

1. Who was married to the veteran before the expiration of 15 years after the termination of the period of service in which the injury or disease causing the death of the veteran was incurred or aggravated; or
2. Was married to the veteran for one year or more; or
3. Was married to the veteran for any period of time if a child was born of the marriage or was born before the marriage.

In view of our stated position last year, which has not changed, the DAV is certainly supportive of the surviving spouse definition change proposed in the pending bill. We urge the Subcommittee to favorably recommend H.R. 1336 to the full Committee.

H.R. 1334

This measure, introduced by yourself, Mr. Chairman, through amendment of Section 3203(A)(1), Title 38, U.S. Code, proposes to modify existing law so that the nonservice-connected pension benefits of veterans, having neither a spouse or a child and who are furnished hospital care by the Department of Veterans Affairs on a long term basis, shall not be reduced to an amount that does not exceed $60 per month.

The Disabled American Veterans has no official position -- pro or con -- on this particular measure.

* * *

Mr. Chairman, this concludes my testimony. I again want to thank you and the members of the Subcommittee for allowing us to participate in today's proceedings. I will be pleased to respond to any questions you may have at this time.

Statement of

NOEL C. WOOSLEY
AMVETS NATIONAL SERVICE DIRECTOR

Before The
U.S. House of Representatives
Subcommittee on Compensation, Pension and Insurance

On

H.R. 1335 Veterans' Compensation Amendments of 1989
H.R. 1334 Amendment to Title 38 section 3203(a)(1)
With Reference to Veterans' Pension
H.R. 1336 Amendment to Title 38, section 418(c)(1)
With Reference to Surviving Spouses for Eligibility
for DIC
Wednesday, April 5, 1989
9:00 a.m., Room 334, Cannon House Office Building

Mr. Chairman, members of the Committee, AMVETS is pleased to comment on the proposed Veterans' Compensation Cost-of-Living increase as outlined in H.R. 1335, as well as the other proposed bills (H.R. 1334 and 1336) in your letter of invitation.

H.R. 1335 provides a 4.9 percent increase in the rates of compensation and dependency and indemnity compensation (DIC). We enthusiastically support this legislation, the purpose of which is to preserve the true value of disability compensation in the face of continuing, although diminishing inflation.

Mr. Chairman, we once again reiterate our willingness to accept a delayed or reduced COLA increase if it is equitable and across the board for all federal programs. It must be noted that veterans have a special interest in this great nation of ours and therefore stand ready to do their fair share for the economic well-being of America.

We enthusiastically support the proposal to increase compensation and DIC rates by 4.9 percent and hope that the Congress will never acquiesce to the Administration's year in and year out proposal to INDEX compensation and DIC COLA's. The Veterans' Affairs Committees and the entire Congress have historically been very fair and compassionate in addressing the needs of our nation's service-connected disabled veterans. We foresee no benefit in doing away with the personal Congressional attention that veterans currently receive.

H.R. 1334: AMVETS supports this legislation and is of the opinion that it may have a minor impact on the plight of the homeless veterans across the country. For years single veterans in need of extended medical care have, subsequent to discharge, found they no longer have a place to live. If they were fortunate enough not to have been put out, far to often they found themselves without heat, electricity or water because the bills were not paid. We all know that once the cycle starts it is perpetual and sooner or later the veteran finds himself/herself in a no win situation.

H.R. 1336: AMVETS supports H.R. 1336 which would reduce from two years to one year the period of time that a surviving spouse must have been married to a veteran who dies while in receipt of compensation for a service-connected disability in order for the surviving spouse to be eligible for dependency and indemnity compensation.

This concludes my testimony.

UNIFORMED SERVICES DISABLED RETIREES
5909 Alta Monte NE - Albuquerque, NM 87110
Phone: 505 881-4568/ 344-4623
Stephen Wolonsky, President
I. DeCicco, Secretary

STATEMENT OF STEPHEN WOLONSKY
ALBUQUERQUE, NEW MEXICO

PRESIDENT
UNIFORMED SERVICES DISABLED RETIREES

BEFORE THE VETERANS' AFFAIRS
SUBCOMMITTEE ON COMPENSATION, PENSION, AND INSURANCE

U.S. HOUSE OF REPRESENTATIVES

ON

H.R. 303

ELIMINATION OF OFFSET BETWEEN VETERANS' DISABILITY
COMPENSATION AND MILITARY RETIREMENT PAY

FOR A HEARING ON
H.R. 1334, H.R. 1335, & H.R. 1336
DEPENDENCY AND INDEMNITY COMPENSATION

APRIL 5, 1989

Mr. Chairman and Members of the Subcommittee, Uniformed Services Disabled Retirees (USDR) is pursuing the interests of 350,000 disabled military retirees who are now forced to pay for their service-connected disabilities by a waiver requirement. USDR supports the enactment of H.R. 1334, H.R. 1335, and H.R. 1336 as a necessary part of veterans disability compensation.

USDR also raises before the Subcommittee an issue led by Representative Michael Bilirakis, a Member of the Subcommittee, who has reintroduced H.R. 303, which would eliminate the offset between earned retirement pay and veterans disability compensation. We urge the Subcommittee to consider enactment of H.R. 303 as part of the Committee's compensation program for veterans. We support the military coalition of veterans organizations in calling upon the Committee this Congress to include the elimination of the offset in a veterans' compensation package.

A summary of the bill follows:

BACKGROUND

Under current law, 38 U.S.C. §§3104 and 3105, military retirees who are eligible for a military annuity for career service and V.A. disability benefits are prohibited from receiving both concurrently. Military retirees who have earned a career annuity and are injured in the service must deduct their V.A. disability benefit from their retirement income. The disabled military retiree in this situation receives only a tax benefit for that portion of his retirement which is offset as disability. The controlling statute prohibits the duplication of benefits but was amended in 1942 to allow the waiver of retirement pay. The provision, therefore, has the effect of requiring career military retirees to fund their own disability benefits. The prohibition against receiving more than one form of compensation based on an individual's service record was first enacted in the 1890's. The policy reason for disallowing the concurrent payment of both retirement pay and disability benefits is strictly a fiscal, budgetary decision by the government.

DISCUSSION

Career military retirees who are disabled should receive both full retirement pay and disability compensation for the following reasons:

. Retirement pay for career service in the military is earned by the individual retiree. The purposes of retirement pay are to induce quality personnel to make military service a career, to allow turnover of personnel to bring young people up the ranks and to provide income replacement in old age.

. Disability compensation is very different in purpose from retirement pay. Disability compensation is for pain and suffering incurred in the line of duty. It represents a payment for an impaired earning capacity caused by the disability.

. Individuals who serve less than twenty years in the military may collect a private or federal civil service pension and still receive the full amount of their disability compensation. Career military disabled retirees are required to fund their own disability compensation.

. The Department of Defense in effect receives an annual one billion windfall at the expense of the career disabled retiree. The Department of Defense is not required to completely pay the retirement annuity under the current scheme.

. Career military retirees who are disabled cannot protect themselves from loss of income caused by disability by either purchasing disability insurance or suing the government for its tortious conduct. Remedies in tort or self insurance are not currently available to this group.

. Career Civil Service employees with the federal government tack military service time to calculalte their eligibility for retirement and also receive disability compensation for the same service period.

. Career military retirees receive no disability compensation even when the disability occurs in a service period beyond the initial retirement period. For example, a World War II career military retiree who returns to active duty during the Korean War and is disabled upon his return, is still subject to the offset provision.

. Career military retirees who are disabled and are at poverty threshold need the disability income to maintain an adequate life style.

STATEMENT
BEFORE THE
SUBCOMMITTEE ON COMPENSATION, PENSION AND INSURANCE

COMMITTEE ON VETERANS AFFAIRS
U. S. HOUSE OF REPRESENTATIVES
BY

ALBERT J. BLAND
LEGISLATIVE CHAIRMAN
AMERICAN EX-PRISONERS OF WAR

WITH RESPECT TO H. R. 1334, H.R. 1335, & H.R. 1336

BILLS TO IMPROVE VETERANS BENEFITS

WASHINGTON, DC APRIL 5, 1989

CHAIRMAN APPLEGATE AND DISTINGUISHED MEMBERS OF THE COMMITTEE

The American Ex-Prisoners of war have come before this committee on behalf of former prisoners of war a number of times in the past. We again thank you for the opportunity to do so today.

We are deeply grateful for the consideration and compassion the committee has always shown to POWS and their enduring physical and psychological problems.

The Ex- Prisoners of War deeply appreciate begin given this opportunity to present our views on legislation relating to the service-connected disability and death compensation programs of the Department of Veterans Affairs.

H.R. 1335

MR. CHAIRMAN: The provision of H.R.1335, introduced in the House of Representatives by yourself, Mr. McEwen, Full Committee Chairman Montgomery and Ranking Minority Member Mr. Stump and members of the Subcommittee, would authorize a 4.9% across-the-board increase in basic disability compensation and DIC (service-connected death) benefit rates. The same percentage rate of increase would also be extended to the dependency indemnity compensation (DIC).

The proposed increases carry an effective date of December 1, 1989. The benefit increases would range from a modest $36 per year ($3 monthly) for a veteran with a 10% service-connected disability to $852. more per year ($71 monthly) for a veteran who is 100% totally and permanently disabled due to service-connected disability.

The American Ex-Prisoners of War strongly support passage of H.R. 1335 which provides for a 4.9% increase for service-connected (SC) veterans and recipients of DIC benefits. We are all well aware of the increaseing cost of living and the difficulty all Americans have in trying to sustain their standard of living and meet their basic needs.

H. R. 1334

The American Ex-Prisoners of War have no objection to the technical change incorporated in H.R. 1334. We support the provisions deleting "Hospital or" each place it appears in subparagraphs (B) & (D).

H. R. 1336

The American Ex-Prisoners of War support the change in H.R. 1336 introduced by Mr. Applegate, Mr. McEwen, Mr. Montgomery and Mr. Stump. This bill H.R. 1336 changes Section 418(c)(1) of Title 38, United States Code, by deleting "two (2) years" and replacing it with "one(1) year."

March 23, 1989

Douglas Applegate, Chairman
House Committee on Veterans Affairs
Subcommittee on Compensation, Pension
and Insurance
335 Cannon House Office Bldg.
Washington, D.C. 20515

Dear Chairman Applegate:

The Vietnam Veterans of America, Inc. (VVA) appreciates your invitation to appear at the April 5, 1989 subcommittee hearing to consider compensation and pension legislation. While we are unable to appear at the hearing, it will be greatly appreciated if you would enter a copy of this letter into the hearing record.

The first of the measures under consideration is HR.1335 and is designed to afford a 4.9 percent cost-of-living adjustment for service-connected disability compensation and for dependency and indemnity compensation (DIC). We fully support this legislation but we believe it may be wise to add some amendatory language providing for an escalation of the percentage in the cost-of-living adjustment is the event that inflation overtakes the currently projected 4.9 percent estimate. The accumulation of recent economic indicators are beginning to suggest that inflation may very well rise somewhat above current estimates.

Your legislation, HR.1336, is also supported by the VVA. This bill, in reducing the period from two years to one year within which a surviving spouse must have been married to a veteran in order to be eligible for DIC, is a prudent measure recognizing that surviving spouses should not be penalized just because they married a disabled veteran shortly prior to an unanticipated and premature death.

The third and final measure under consideration, HR.1334, would remove the requirement that pension be reduced from the regular benefit rate to $60.00 per month for veterans hospitalized for extended periods. This particular initiative makes good sense because for many veterans hospitalized for extended periods who are dependent on pension in order to pay routine monthly bills, a reduction in this benefit as under current law could jeopardize the veteran's circumstances once discharged from the hospital.

For example, an aging veteran who owns his or her home may be unable to meet property tax or even monthly utility expenses with a reduced benefit. Without the change in law contemplated by this legislation, hospitalization for an extended period can have the unintended consequence of doing as much harm to the veteran's economic well-being as good to the veterans physical well-being.

Moreover, the practice of modern medicine has tilted away from long hospital stays in favor of shorter hospital stays except in relatively infrequent instances. That being so, the cost of this legislation will likely be very limited.

As always, Mr Chairman, your attention to the views of the VVA is appreciated.

Sincerely,

Paul S Egan
Paul S. Egan
Legislative Director

STATEMENT FOR THE RECORD

by

Winston M. Roche'
National Legislative Director
Veterans of World War I of the U.S.A., Inc.

Chairman Applegate, and Members of this Distinguished Subcommittee:

We, the Veterans of World War I of the U.S.A., Inc., consider it a privilege and an honor to have been asked to express our thoughts and recommendations on H.R. 1335, H.R. 1336, and H.R. 1334.

On H.R. 1335, relating to increasing compensation through a 4.9 percent cost-of-living adjustment (C.O.L.A.) for service-connected disability compensation and dependency and indemnity compensation (DIC), increasing the base rate of payment, the Veterans of World War I feel that all recipients will greatly appreciate this modest raise.

The Veterans of World War I strongly support the liberalizing payment of pension to certain hospitalized veterans in H.R. 1334. By removing the current law of reducing a non-service-connected VA pension to a maximum of $60 to a hospitalized veteran with no dependents after the third month of his in-patient care, will result in less paperwork and record keeping for the VA and less anxiety for the discharged veteran who must wait yet another month for the re-instated full pension.

The final item, H.R. 1336, would reduce from two years to one year the time that a surviving spouse would have to have been married to a veteran who dies while receiving compensation for a service-connected disability, in order to qualify for certain death benefits payable at DIC rates. The Veterans of World War I also support this important bill which relates to our World War I veteran population who choose to remarry following the death of their life-long partner. This new provision would provide additional financial security.

We are pleased to know that you and your Subcommittee have the concern and compassion to help all of our veterans. Of course we understand that money cannot replace an injury or a loved one, but we do appreciate your care that the veterans and their families are protected from further financial strain.

We would also like to suggest to this Honorable Committee that they likewise consider H.R. 1598 which was introduced by the Honorable Douglas Applegate, since these bills are so similar in intent, but serve different groups of veterans.

We again thank you for including the Veterans of World War I of the U.S.A., Inc., on these sensitive issues.

Winston M. Roche'
National Legislative Director

Office of the
Administrator
of Veterans Affairs

Washington DC 20420

Veterans
Administration

JUL 6 1989

JUL 3 1989

Honorable G. V. (Sonny) Montgomery
Chairman, Committee on
Veterans' Affairs
House of Representatives
Washington, D.C. 20515

Dear Mr. Chairman:

Enclosed please find the Department's responses to questions raised by Representative Bob McEwen following the April 5, 1989, hearing on H.R. 1334, H.R. 1335, and H.R. 1336. A copy of these responses has been provided to Representative McEwen.

Sincerely yours,

Edward J. Derwinski
Secretary

Enclosure

cc: Honorable Bob McEwen

WRITTEN COMMITTEE QUESTIONS AND THEIR RESPONSE

CONGRESSMAN MCEWEN

Question: How would you suggest we amend this bill (H.R. 1334) so that, on the one hand, we prevent DVA maintenance of residences for permanently hospitalized veterans, but not force certain veterans into borrowing extensively or selling personal possessions to meet fixed financial obligations?

Answer: VA is on record as not opposing the provisions of S. 13 which would extend from three to eight calendar months the period after which benefits would be reduced and increase the amount payable to hospitalized veterans from $60 to $105 per month.

Question: What is VA's position relative to including an increase in the "k" award in H.R. 1335?

Answer: We favor indexing rates of veterans' disability compensation and dependency and indemnity compensation for surviving spouses and children automatically so that they will be increased to keep pace with the cost of living. The bill which we favor, H.R. 1397, does not differentiate between special monthly compensation "k" and the other levels of special monthly compensation contained in 38 U.S.C. §314.